Austria Sch22; Bahrain Din0.650; Belgium BFr48; Canada C$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£2.25; Finland Fmk7.00; France FFr6.50; Germany DM2.20; Greece Dr120; Hong Kong HK$12; India Rs15; Indonesia Rp3100; Israel IS3.50; Italy L1700; Japan Y600; Jordan Fils500; Kuwait Fils.500; Lebanon $1.25; Lux LFr48; Malaysia Rin4.25; Mexico Pes300; Morocco Dh6.50; Neth Fl3.00; Norway NKr10.00; Portugal Esc120; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr9.00; Switz SFr2.30; Taiwan NT$65; Thailand Bt50; Tunisia Din0.800; Turkey L600; UAE Dh6.50; USA $1.00

FINANCIAL TIMES

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Thursday April 21 1988

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On the frontiers of medicine: Lombard, Page 17

World News

Israelis agree to inspection of N-plants

Israel agreed to permit a limited inspection of its nuclear facilities by outside bodies for the first time since it began a top-secret research and development programme 30 years ago.

The programme is widely believed to have achieved its goal of attaining a capability to manufacture nuclear weapons. Page 18

Soviets plan Egypt visit

Soviet Foreign Minister Eduard Shevardnadze is to visit Egypt for talks on peace prospects in the Middle East, Soviet Ambassador Gennadi Zhuravlev said, giving no date for the trip. Meanwhile, Soviet officials sought to blame the US for delays in agreeing a 50 per cent cut in strategic nuclear weapons. Page 2

Kohl rejects arms deal

Chancellor Helmut Kohl of West Germany rejected a so-called "third-zero" arms deal eliminating short-range nuclear missiles in Europe, in a letter sent last month to East German leader Erich Honecker. Page 2

Iraqi ceasefire offer

Iraq offered Iran a conditional halt to attacks on civilian centres, saying it would observe the ceasefire from midnight. Four hours before the deadline it fired three missiles at Iran. Page 4

Contra leaders sued

The family of an American engineer killed last year in Nicaragua filed a $50m lawsuit in the Miami federal court, blaming Contra rebel leaders for his death at the hands of anti-Sandinista forces.

S Africa trade vote

Two US congressional panels voted for a trade ban against South Africa, that would include disinvestment by all US companies and a halt to exports and imports, exempting strategic minerals unobtainable elsewhere.

Sudanese battle

Sudanese troops, fighting off an ambush, killed 500 rebels in a six-hour battle near the southern town of Nasir. About 43 government troops were killed.

Poll reforms delayed

Venezuela delayed introducing a series of important election reforms despite strong recommendations from a special presidential commission. Page 6

Icelandic strike threat

Icelandic clerical workers threatened an indefinite strike from tomorrow which would halt most domestic flights and close all banks and most supermarkets and large businesses in Reykjavik.

China tackles inflation

China outlined plans for market-style economic reforms while fighting inflation, through tightening bank credit, limiting state investment and restricting wages growth, the official Xinhua News Agency said.

N-waste protest

A group of Austrians delivered petitions signed by 230,000 people to the Bavarian Environment Ministry against construction of a nuclear waste reprocessing plant in the Bavarian village of Wackersdorf.

Rebels kill priest

Rebels killed a German Roman Catholic priest and injured another at a mission school in south-west Zimbabwe near the border with Botswana. Page 4

Papua unity

Papua New Guinea Prime Minister Paias Wingti and opposition leader Michael Somare announced agreement to form a government of national unity.

Landslide toll

Landslides triggered by heavy rains killed 10 people in Turkey and cut its rail link with Iran.

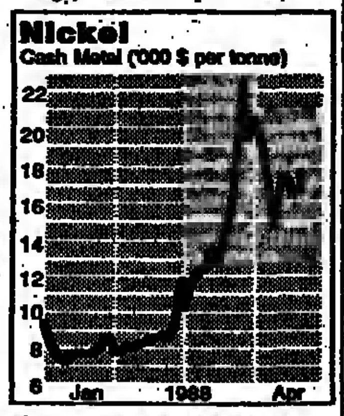
Business Summary

Peugeot lifts profits by 86% to FFr6.7bn

PEUGEOT, French private car group embracing the Peugeot and Citroën marques, increased net profits by 86 per cent last year to FFr6.7bn ($1.2bn) from FFr3.59bn in 1986. The group plans to increase its net dividend from FFr10 to FFr17 a share. Page 21

CANADIAN IMPERIAL Bank of Commerce dismissed 124 employees of its London investment banking operations. Page 18

NICKEL cash price on the London Metal Exchange soared following rumours that Falconbridge, Canadian producer, was about to declare *force majeure* on shipments of ferro-nickel to some US customers. The metal closed up $975 on the day at $17,800 a tonne. Page 28



LONDON: International stocks had a quiet day and most drifted lower. Nervousness crept in just before the release of the US consumer price figures, but the announcement had little effect and the FT-SE 100 index closed down 12.1 at 1,786.8. Page 36

WALL STREET: The Dow Jones industrial average closed down 14.09 at 1,985.41. Page 40

TOKYO: Bargain-hunters moved to pick up large-capital and high-technology stocks, helping drive share prices higher for the first time in four trading days. The Nikkei average rose 207.09 to close at 26,864.09. Page 40

DOLLAR closed in New York at DM1.6670, Y124.25, SFr1.3785, FFr5.6615. It closed in London at DM1.6635 (DM1.6630); Y123.95 (Y124.15); SFr1.3750 (SFr1.3755); FFr5.6500 (FFr5.6500). Page 29

STERLING closed in New York at $1.8910. It closed in London at $1.8935 ($1.8935); DM3.1475 (DM3.1475); Y234.75 (Y235.0); SFr2.6050 (SFr2.6050); FFr10.6975 (FFr10.6975). Page 29

AIR FRANCE, state-owned airline, more than doubled net income last year to a record FFr1.2bn ($212m). Allowing for the new accounting practice used, on a comparable basis the increase over last year would have been 72 per cent.

AMERICAN Telephone & Telegraph reported a 10.6 per cent advance in net earnings in the first quarter to $622m, with revenue showing its highest quarterly growth in two years. Page 19

DOW CHEMICAL, second-largest US chemicals group, reported its strongest quarter ever, with first-quarter income more than doubled to $507m. Page 19

BANCA COMMERCIALE Italiana announced an amended offer for Irving Bank at the same time as the Federal Reserve Board objected to an important aspect of Irving and BCI's friendly merger plan. Page 19

US GOVERNMENT said consumer prices rose 0.5 per cent in March after increasing 0.2 per cent in February, adding to concern about accelerating inflation. Page 6

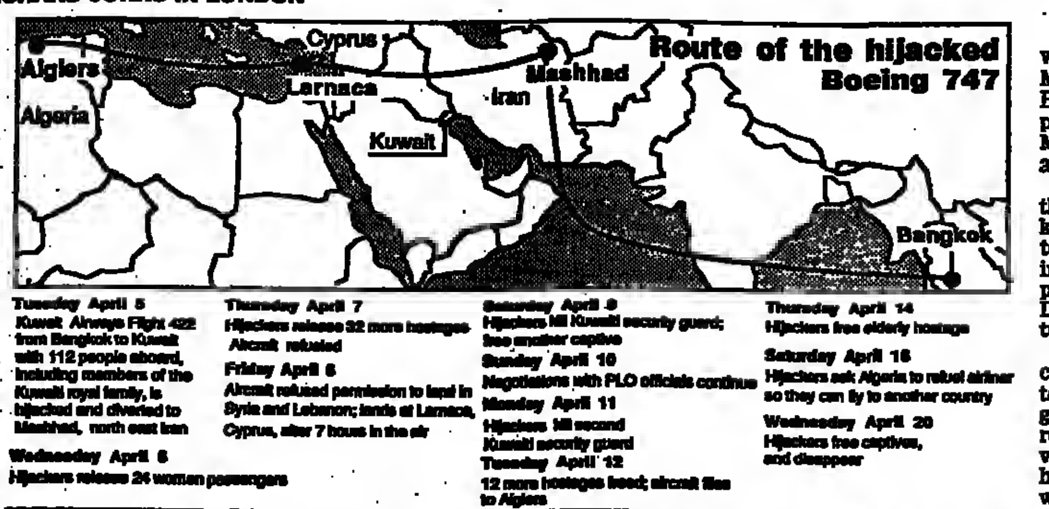
PHELPS DODGE, largest US copper producer, reported a ninefold increase in net income for the first quarter, from $11.7m to $92.5m. Page 19

GOVERNMENTS of Australia and New Zealand agreed that the proposed full merger between Qantas, Australian international carrier, and Air New Zealand was not feasible for the foreseeable future. Page 20

Algerian negotiators secure release of Kuwaiti airline hostages after 15-day ordeal

Hijackers slip away to sanctuary

BY BRUCE CLARK AND RICHARD JOHNS IN LONDON



THE EXTREMIST Arab Shia Moslems who hijacked a Kuwaiti jumbo jet, killed two passengers and subjected others to the longest imprisonment ever suffered in an aircraft, disappeared early yesterday after freeing the remaining 31 hostages.

The hijackers surrendered to the Algerian authorities in return for safe passage to Tehran or Beirut, according to Kuna, the Kuwaiti newsagency. The Boeing 747 was seized on April 5, being diverted first to Iran, then to Cyprus and finally to Algiers.

Nine hijackers left the Boeing 747, but it was unclear whether all had been on board since the flight took off from Bangkok. Evidence from a number of freed hostages suggests that the original gunmen were joined by one or two others during the airliner's sojourn in Mashhad in north-east Iran.

A compromise was reached after the hijackers dropped their demand for the release of 17 Shia Moslems jailed in Kuwait for taking part in bombings at the US and French embassies in 1983.

As the prisoners – dazed from their 15-day ordeal but apparently in good health – underwent medical checks, the reaction ranged from dancing in the streets of Kuwait to a stern statement from Mr George Shultz, US Secretary of State, about the consequences of allowing hijackers to go unpunished.

There were conflicting reports on the whereabouts of the hijackers. The Associated Press newsagency quoted "informed sources" in Kuwait as saying that they had left Algiers for an unknown destination.

The agency said a Soviet-built Antonov transport aircraft of the Algerian airforce took off from Algiers airport soon after the passengers were freed. Algerian officials declined to discuss the flight or its occupants.

It noted that it was very rare for military aircraft to touch down at Algiers' civilian airport and said there was speculation that some or all of the hijackers were aboard.

Algerian officials were quoted by Reuter as saying that the hijackers were still in the country and would be given a few days to decide whether to go to Tehran or Beirut. According to the officials the hijackers slipped through a rear door of the Boeing 747 soon before their hostages left the aircraft. One of the leading Algerian mediators, Commandant Mohammed Tajar, told the agency that the hijackers were still in Algiers but declined to elaborate.

At a press conference in Helsinki, Mr Shultz denounced the hijackers as "not only hijackers but murderers" and said letting them free was "not a proper thing to do."

However, he indicated that the US might not have any legal rights to pursue them. One of the passengers appears to have held dual US-Egyptian citizenship, but Mr Shultz said he did think the issue of the man's nationality had been "pinned down".

An aide to Mrs Margaret Thatcher, the UK Prime Minister, said: "The British view is that those responsible should be brought to justice."

It has been reported that one of the hijackers was Mr Hassan Izz-Eldene, a Lebanese under indictment in the US for murder and piracy because of his part in the seizure of a TWA Boeing 727, in which passengers were shuttled round the Mediterranean and held prisoner in Beirut for 17 days.

The hijackers were said by passengers freed earlier to be carrying sub-machine guns and grenades. They appeared to have extensive knowledge of the workings of a Boeing 747.

The aircraft was first diverted, with 112 people on board, to Mashhad during a flight from Bangkok to Kuwait. Fifty-seven passengers were released in Mashhad, including 24 women and 20 Britons.

After negotiations involving the Governments of Kuwait, Turkey and Pakistan, the aircraft took off again on April 8, landing in Larnaca, after being refused permission to land in Syria or Lebanon, with its fuel tanks virtually exhausted.

The hijackers dumped the corpses of two Kuwaitis, believed to be security guards, on the ground at Larnaca. There were reports in Kuwait that the first victim had been slain in Mashhad. A further 13 passengers were released, after mediation efforts by the Palestine Liberation Organisation, and the aircraft flew from Larnaca to Algiers last Wednesday.

The French Government welcomed the ending of the crisis, which is believed to have complicated efforts to free three French hostages detained by Moslem extremists in Beirut.

● Michael Cassell in London adds: It is understood that the UK Government will seek urgent discussions with the EC, G7 and the International Civil Aviation Organisation to try and secure an initiative aimed at stepping up airline security and establishing agreed procedures on the future handling of terrorist acts.

Hijack and Middle East, Page 4, Editorial Comment, Page 16, Back from the Brink, Page 16

UK Council for Foreign Bondholders gives up the good fight

By Stephen Fidler in London

THE COUNCIL for Foreign Bondholders has decided to wind up its affairs, declaring its fight almost over after 120 years of going into battle for British holders of defaulted bonds.

Over the years the council has taken part in negotiations resulting in the settlement of debts totalling more than £1bn ($1.89bn).

The decision to liquidate the council was spurred by agreements during the past two years to settle disputed British claims against the Soviet Union, China and Bulgaria.

Mr Eric French, the council's manager, said yesterday: "The outstanding defaults were not large enough to justify keeping the organisation going."

The news no doubt will come as an immense relief to the Treasurer and Governor of the US State of Mississippi, with which the council has been in regular communication over defaulted bonds almost since its inception in 1868.

The bonds, issued in the 1830s with a Mississippi state guarantee to raise $7m to underwrite two new banks which subsequently failed, went into default in 1841.

However, the passage of a mere 150 years did not deflect the council from making its opinions known to the governor of the state in 1986, after he was unwise enough to announce a short visit to London.

The council said in its 1987 annual report, published today: "The council cannot acquiesce to an unjustifiable default merely because it has been maintained for many years."

The report said that subsequent public statements from the governor were "not encouraging." His apparent intransigence – which means the state is effectively barred from raising money in the London capital markets – is perhaps not surprising: back interest on the bonds was calculated at $32m in 1929.

The other thorn in the side has been East Germany, which has refused to accept liability on, among other things, loans issued in 1927 by the City of Dresden and the Free State of Saxony totalling about £800,000.

After agreements with the Soviet Union, China and Bulgaria, East Germany is the only sovereign state on which there remains a prohibition

Continued on Page 18

Confident Dukakis calls for party unity

BY STEWART FLEMING IN WASHINGTON

GOVERNOR Michael Dukakis of Massachusetts, exuding the confidence of a man who believes he is firmly set on the path towards winning the Democratic Party's presidential nomination, moved yesterday to try and unite the Democratic Party behind his candidacy.

At a press conference in New York hours after winning a convincing victory in the state's Democratic presidential primary election, Mr Dukakis said: "We have got to unite our party and unite our country."

The emphasis on unity came in the aftermath of a divisive election campaign into which New York City's Mayor Mr Ed Koch injected a racial dimension. The exit polls suggest this helped to polarise further the Jewish and black communities.

Governor Dukakis said he had already spoken briefly with the Rev Jesse Jackson, the black leader who won a solid second place in New York. Mr Jackson congratulated Mr Dukakis on his victory and because "he resisted the temptation to take the campaign to the gutter. Good for him and good for America."

However, if Governor Dukakis is to achieve his goal of party unity he faces a series of formidable obstacles. Not the least of these will be to resist Mr Jackson's continuing challenge in forthcoming primaries while at the same time avoiding another racially divisive campaign.

In an historic breakthrough for a black, Mr Jackson has won almost as many popular votes as the front runner (more than 4 million), accumulated only 200 fewer delegates, come in a strong second in New York and demonstrated a charismatic appeal to minority as well as many white voters.

Polling data shows, however, that even many of his supporters do not believe the country is ready to elect him President and, as New York showed, some voting groups, especially Jews, are deeply antagonistic towards him.

Governor Dukakis won a commanding 51 per cent of the votes in the New York primary, compared with 37 per cent for Mr Jackson who swept the black vote and ran strongly among Hispanic voters. Senator Albert Gore of Tennessee won only 10 per cent.

The win would give Mr Dukakis 150 of the 255 convention delegates at stake in the state with about 90 going to Mr Jackson and the rest to Senator Gore. Overall, Mr Dukakis is estimated by Associated Press to control about 1,029 delegates, compared with 833 for Mr Jackson and 433 for Senator Gore.

Mr Dukakis conceded yesterday he would probably not win enough of the estimated 1,443 delegates still to be chosen to give him an outright majority at the Democratic convention in July, though he appears certain to command the largest block of votes. But the outcome of the primary campaign so far has left Mr Jackson in a position to demand a powerful position in shaping the party's agenda for the general election in November.

It is widely anticipated that Senator Gore, who came a dismal third in New York, will effectively drop out of contention. If he does, one question will be what will happen to the convention delegates he has won in the primaries so far.

"The Duke" looks safe, Page 6; Editorial comment, Page 16

Midi prepares for hostile Generali bid

BY GEORGE GRAHAM IN PARIS

COMPAGNIE DU MIDI, the diversified insurance and industrial group which ranks among the top 10 French insurers and has a stock market value of some FFr24bn ($4.24bn), was yesterday battening down the hatches in anticipation of a hostile takeover bid from Italy's Assicurazioni Generali insurance group.

Mr Enrico Randone, president of Generali, which has built a 13.6 per cent stake in Midi, was reported yesterday by the Italian financial newspaper, Il Sole 24 Ore, as saying that he planned to seek control of the French group.

He said he had tried to seek a friendly agreement but the French company, which acquired Equity and Law of the UK for £457m ($864m), had broken the peace with recent defensive measures.

A hostile bid could spark a battle which would dwarf the recent Franco-Italian struggle for control of Société Générale de Belgique, Belgium's largest company.

Midi's market capitalisation is more than twice the price tag put by the market on La Générale at the outset of the conflict between the Belgian group and its backers led by the French Suez group and Mr Carlo De Benedetti, the Italian entrepreneur.

Generali is Europe's third-largest insurer with gross premiums of about $6bn in 1986. The company would not confirm its intentions yesterday, although officials of the group in France said earlier it would not launch an aggressive takeover bid.

In the last two months Midi has acted to strengthen its core of friendly shareholders by buying out minority interests in subsidiary companies and through a FFr4.8bn convertible bond issue targeted at overseas investors.

Mr Bernard Pagezy, the Midi chairman, is understood also to

Continued on Page 18

China opens first private school

BY ROBERT THOMSON IN PEKING

A GROUP of successful small businessmen yesterday presided over the opening of a private school, the first of its kind in China since the 1949 Communist revolution, and promised that standards would be higher than in the state system.

The rise of the Hangzheng Street School in the central city of Wuhan, Hubei, comes during an intense debate within the Chinese leadership over education reform. This has already prompted protests from university students told to earn their keep and to take practical courses serving the "real needs" of economic modernisation.

Thirty-nine students, most of them illiterate and otherwise under-educated young business people, have enrolled at the school which will soon be expanded to include state-approved classes for primary and secondary students.

Donations from traders in a local free market have covered costs, so fees will not be charged this year, though the 13 teachers will be paid at least 30 per cent more than their state school counterparts. The traders, who fall outside the traditional labour system, have designed the school for the presentto cater for themselves and their children.

Advertisements in the local press for teachers drew 700 replies and caused controversy because it was made clear that teachers would be paid on merit and not, as is customary, on seniority. Associate professors were said to be among the applicants. One of the chosen few, Xiong Guangzuo, explained his motives: "I have not come here for the money, nor for the fame. I want to beat a new path for education."

China Youth News, a Communist Party-run newspaper, said the curriculum would include subjects taught at state schools, but would also try to "raise the students' reform consciousness and competitive consciousness", and increase their understanding of the commodity market.

While total government spending rose 24 per cent in 1986 and 7.35 per cent last year, education spending rose by 15.4 per cent and 3.94 per cent. The Government's budget balancing worries and its present passion for the private sector suggest thet a two-tiered education system, previously a heretical concept, is not out of the question, though religious schools are unlikely.

Government and State Education Commission officials were among the guests at the opening of the Hanzheng Street School, a monument to the frustration of businessmen annoyed that they are looked down on because of their lack of education: of the 2,183 traders in the market, 283 are illiterate.

CONTENTS

TURGUT OZAL LOSES THE SUPPORT OF HIS CENTRAL PILLAR

The Turkish Prime Minister, whose position has been eroded by price increases, Page 18

Frustrated talent looks beyond the Gonzalez horizon

BY PETER BRUCE IN MADRID

GATHERING personnel difficulties at the top of the Spanish Government, which have already led to heavy criticism of Prime Minister Felipe Gonzalez for tolerating inefficient ministers and for "failing" to make a long-awaited cabinet reshuffle, may soon come to a head with the threatened resignation of key officials from the Ministry of Economics and Finance.

The Ministry's conservative economic policies have been crucial to the political success so far of Mr Gonzalez's Socialist governments. It was confirmed yesterday, however, that at least one of its three State Secretaries was leaving and another might go.

A Ministry official said Mr Miguel Angel Fernandez Ordonez, State Secretary for Commerce, a Socialist party member and brother of the Foreign Minister, was leaving to become an International Monetary Fund director.

Far more threatening for Spain, though, would be the departure of Mr Guillermo de la Debesa, Secretary of State for Economic Planning and chief engineer of the sweeping reforms being imposed on Spanish capital markets and financial institutions between now and 1992.

Mr de la Debesa, by virtue of not being a party member has reached the top of his civil service career, has long been headhunted by the private sector. However, he commented yesterday that his departure was "not imminent."

Two other important departmental heads in the Ministry – the chiefs of the planning and budget department and the Patrimonio, which administers the state's direct holdings in companies – also seem likely to leave either for other government posts or for the private sector.

Although these possible movements would still leave the Ministry in the highly capable hands of Mr Carlos Solchaga, they provide a clear insight into the blockages beginning to emerge around the Prime Minister.

Mr Fernandez Ordonez hoped to win a cabinet post in Mr Gonzalez's long-delayed reshuffle but seems to have given up waiting. Despite obvious weaknesses in health and transport policy, the responsible ministers appear unthreatened for now, and Mr Gonzalez, who is acquiring a presidential distance from the day-to-day government squabbling, is determined not to be pushed.

Critics (and some supporters) complain the Prime Minister pays far too little attention to domestic affairs and that he rarely consults outside a tiny group of old political friends. He seldom attends Parliament, has developed a strong taste for foreign affairs, and is said to maintain regular contact with the Italian Socialist leader, Mr Bettino Craxi.

Although a reshuffle this year cannot be ruled out, evidence of one in progress is hard to find. Mr Gonzalez is committed, morally at least, to bringing women into the cabinet and an opportunity might arise in the summer when Mr Mariano Rubio's term as Governor of the Bank of Spain expires. Mr Gonzalez is under some pressure from Mr Alfonso Guerra, the Deputy Prime Minister and his closest associate, to appoint a Socialist in his place.

The field of potential candidates is wide open, but on past performance the Prime Minister will want to use the appointment as a reward. Mr Rubio is keen to stay on, though, and Mr Gonzalez may not want to damage the bank's new-found international prestige as a disciplinarian by making a too-obviously political appointment.

Mr Gonzalez's apparent reluctance to tamper with his cabinet mix can be partly explained by his need to keep all sides of the Socialist party contented.

Mr Guerra, though soiled somewhat by his use of a government jet to return from his Easter holiday, remains a powerful check on Mr Gonzalez's inclination to move to the right. Mr Gonzalez also knows that while the opposition, and even newspapers normally sympathetic to him, have called for cabinet changes, the moment he makes one it will be treated as a sign of weakness. Besides, he is well entrenched in power and the Socialists govern Spain with remarkable confidence and skill.

Furthermore, the very success of the Socialists has reduced political debate in Spain to the level where they can really only be threatened for now by an accumulation of apparently petty issues. Mr Gonzalez, for instance, is being accused of influence peddling because of an alleged property deal involving his brother-in-law. Rows over contracts for the giant Expo 92, to be held in his home town, Seville, are bound to reflect back on him in the next few years.

But as the rumblings at the Ministry of Economy and Finance show, Socialist success has also generated high ambition among party members. The resulting frustration could see more talented people leave for jobs in an increasingly attractive private sector. There was a time when government service attracted Spain's intellectual cream but it has passed.

OUTCRY IN SPAIN OVER GOVERNMENT'S STANCE ON N-WEAPONS IN VISITING NATO SHIPS

A CHORUS of protest and indignation has been set off in Spain by Mr Felipe Gonzalez, the Prime Minister, by declaring that the Government will not require Nato warships visiting Spanish ports to declare whether they are carrying nuclear weapons, writes Peter Bruce.

His announcement followed immediately after Spain, along with Portugal, had won its bid for membership of the Western European Union (WEU), the seven-nation European defence grouping, during a WEU executive meeting in The Hague on Monday.

It appeared to contradict a promise made by the Government in the March 1986 referendum on Spain's continued membership of Nato. The Government recommended staying in Nato then but with three conditions, one of which read: "We will continue to prohibit the installation, storage or introduction of nuclear weapons on Spanish territory".

Opposition groups were yesterday demanding that Mr Gonzalez explain why the possible presence of nuclear weapons in a Spanish port did not constitute their introduction into Spanish territory. He had said earlier that Madrid would not follow New Zealand's policy that visiting ships declare before docking that they were not carrying nuclear arms.

Spain will not ask questions. The Government's position, which is similar to Japan's, is that these weapons, if they exist, are not being "introduced". "You have to differentiate between transit and stopover," said Mr Narcis Serra, the Defence Minister, who was in London yesterday for talks with his British counterpart.

Spain's integration into the WEU which will take about a year, also means that Spanish troops, who, under the terms of the Nato referendum, remain outside the Alliance's integrated command structure, could undertake missions outside areas normally regarded as within Spain's strategic interests. They would not, however, be used in Central Europe.

Moscow blames US for delaying pact on strategic arms

BY QUENTIN PEEL IN MOSCOW

SOVIET OFFICIALS yesterday sought to pin the blame squarely on the US for delays in agreeing a 50 per cent cut in strategic nuclear weapons, on the eve of a new round of negotiations between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

An official government spokesman was also sharply critical of the Reagan Administration for the US attack on Iranian oil platforms in the Gulf, saying it aggravated the explosive situation there.

In spite of the public criticism, however, the Soviet side still holds hope for progress towards agreement on a strategic arms deal in time for the summit between Mr Reagan and Mr Mikhail Gorbachev at the end of May.

Mr Georgy Kornienko, chairman of the preparatory commission of the Supreme Soviet, responsible for recommending ratification of the INF treaty banning intermediate-range nuclear weapons, blamed the US for being unprepared to press ahead fast enough with the next step towards nuclear disarmament – the planned halving of strategic weapons arsenals.

"Unfortunately much time has been lost – by the American side," he said. "It is very difficult during the remaining time to compensate for time lost. Much will depend on what Secretary of State Shultz brings to Moscow on April 21.

The deputy government spokesman, Mr Vadim added his own criticism of the action against Iran. "The Soviet Union expects that the US, like the other parties involved in the (Iran-Iraq) conflict, would analyse the current dangerous situation, display restraint and commonsense, and refrain from actions leading to the further aggravation of the situation in the Gulf," he said.

Many workers see room for job reductions

BY QUENTIN PEEL

A LARGE majority of Soviet workers think many jobs in the economy could be cut, particularly in the state bureaucracy, but most still consider unemployment wrong in principle.

That is the conclusion of sociological survey – an opinion poll by any other name – carried out by the outspoken Soviet government weekly newspaper, Moscow News.

Ninety-five per cent of those questioned (albeit a small sample of some 250 people from "all walks of life") expressed the view that there were "many categories of workers in our country that it would be advantageous to do away with." Some 56 per cent believed there was potential for cuts at their own work place, but only 14 per cent were so honest as to admit their own jobs were superfluous.

The poll on a subject which for years would have been considered taboo in the Soviet system showed that workers in "government and administrative bodies" and "regional and town party committees" were those thought most ripe for cuts. Some 57 per cent named the former, and 62 per cent the latter, as categories which ought to be reduced the most.

Asked whether *job cuts so far carried out* under Mr Mikhail Gorbachev's *perestroika* (economic restructuring) had been effective, and the replies carried less conviction: only 14 per cent said yes, while 32 per cent reckoned there had been no change, and 6 per cent believed the cuts had made matters worse.

A majority (60 per cent)also clearly believe that unemployment is still unacceptable in a Communist system, although perhaps more startling is the conclusion of 32 per cent that some unemployment is acceptable and necessary. The latter category included 60 per cent of the young people questioned, and 50 per cent of those with a higher education.

Haughey turns a new Irish face to the US

BY KIERAN COOKE IN DUBLIN

THE CONNECTIONS between the Irish Republic and the United States run very deep. More than 40m Americans claim Irish ancestry. Much of the character of US politics, both the good and the bad, was formed back in the "mother country." Sing "The Boys from Wexford" in a Boston bar and it could bring the house down.

Although the emotional relationship is still very much alive, Ireland is increasingly turning away from the US and towards Europe. The Republic is a fully committed and active member of the European Community. Ireland's total trade with the EEC in 1987 was I£13.8bn (£11.7bn). Its total trade last year with the US was I£2.3bn.

While about 35,000 Irish graduates are working in the US, many illegally, Irish emigrants are now just as likely to go to Europe in search of jobs.

Mr Charles Haughey, Ireland's Prime Minister, left yesterday for his first visit to the US since returning to power last February after a prolonged period in opposition. In the course of his five-day visit he will tread some well known Irish-American paths, meeting lobby groups and visiting the Kennedys. But he will also be endeavouring to explain some of the modern-day political and economic realities of Ireland, often ignored by US groups whose perceptions of the old *homeland are often felt* by Irish officials to be dangerously simplistic.

Mr Haughey will be trying to explain some of the political and economic realities of Ireland frequently ignored by US groups whose perceptions of the old homeland are often felt by Irish officials to be dangerously simplistic

Mr Haughey's popularity at home continues to grow despite his Government's imposition of an extremely tough economic programme, including widespread cuts in public expenditure. He will be telling his American audiences about the new economic climate he feels he has created: the Irish debt, at present standing at I£28bn, is at last being stabilised, while exports show healthy growth.

In particular, Mr Haughey will be extolling the virtues of a financial services centre being built on the banks of the Liffey in Dublin. This multi-million pound scheme is a pet project of the Prime Minister and it is hoped that several of the big US financial institutions will agree to set up in the Irish capital.

But its likely that attention will focus on political developments, particularly in Northern Ireland. Irish-American groups will be demonstrating about approval by the Irish Parliament of an extradition pact with Britain last year. Groups such as Noraid, which is believed to channel funds to the IRA, say this represents a dangerous accommodation with Britain.

Mr Haughey's Government is adamantly opposed to the activities of Noraid and other militant US-based groups. Irish officials often seem uncomfortable with the pronouncements on Northern Ireland of visiting Irish-American politicians. When Congressman Joe Kennedy on a recent visit to Ireland used the language of republicanism to talk about British "occupying forces" in Northern Ireland, there was only an embarrassed silence.

Mr Haughey will be trying to explain that there are no simple solutions to the problems of Northern Ireland. He will also be hinting delicately to his American hosts that simplistic judgements can do a great deal of damage. "If there was an easy solution in Northern Ireland someone would have thought of it by now," said one Irish official.

Haughey: treading old paths and new in the US.

Chirac casts for votes in centre

By Paul Betts in Paris

MR JACQUES CHIRAC sought yesterday to attract centrist voters to his cause by suggesting that the next French Government should include technocrats and non-party figures.

The neo-Gaullist RPR Prime Minister and main rival in the French presidential election to President Francois Mitterrand has intensified his lobbying for centrist votes in the face of a last ditch attempt by Mr Raymond Barre, the former right-wing Prime Minister and presidential candidate of the UDF centrist coalition, to recover the ground *lost in recent opinion* polls.

Mr Barre adopted a far more combative tone during a big rally in his Lyons constituency this week to try to boost his chances against Mr Chirac in the first round of voting next Sunday. He led Mr Chirac in opinion polls until the latter announced his candidacy last January. Since then he has fallen behind, although he seems to have regained some ground of late.

However, Mr Barre's final sprint is not expected to enable him to win more votes than Mr Chirac next Sunday. Mr Barre has also confirmed that if he is beaten in the first round he will support Mr Chirac in the second round.

Despite Mr Chirac's active and all-embracing campaign (he has also been actively campaigning to win far-right votes from Mr Jean Marie Le Pen, the National Front leader), President Mitterrand still appears to command a relatively comfortable lead.

However, the possibility of the imminent release of three French hostages in Lebanon could clearly have a significant impact on the election. Although Mr Chirac has said he does not want to make political capital out of them, the hostages release would give his government and his candidacy an important boost.

Most political commentators believe it would give him a fighting chance to clinch the presidential contest against the odds.

Bonn rejects Honecker ploy on nuclear arms

BY DAVID MARSH IN BONN

CHANCELLOR Helmut Kohl of West Germany has rejected a so-called "third zero" arms deal eliminating short-range nuclear missiles in Europe in an unpublished letter sent last month to Mr Erich Honecker, the East German leader.

According to government officials here, Mr Kohl restated Nato policy of drawing up an overall concept for further nuclear and conventional disarmament. This ruled out a separate "zero option" for sub-500km range nuclear missiles in the wake of the superpower "double-zero" accord on dismantling intermediate 500-5,000km range missiles signed last December.

Mr Kohl also reminded Mr Honecker that the the dialogue between the two Germanys could not encompass arms control negotiations.

His missive adds up to a firm rebuff to Mr Honecker's efforts, set out in a letter sent to the Chancellor on December 16, to drive a wedge between Bonn and its Nato allies over nuclear disarmament. Mr Kohl is understood to have informed West Germany's most important allies of the contents of his letter.

Mr Honecker in December suggested that both Nato and the Warsaw Pact gave up plans to modernise short-range nuclear missiles in Europe, all nuclear weapons might eventually be removed from Europe. This was a clear bid to expose the Chancellor's discomfort over the vexed question of upgrading short-range US Lance nuclear missiles stationed in West Germany, where the Federal Republic has a much more reticent line than the US, Britain or France.

News of the letter comes a day after East Germany made another attempt – rejected by Bonn – to draw the Federal Republic into arms control negotiations outside Nato. On Tuesday East German and Czech diplomats handed Bonn fresh suggestions for starting formal negotiations on ridding the three countries of chemical weapons. The East German and Czech message said that such an initiative was necessary to overcome the blockage in the Geneva superpower talks on a world-wide ban on chemical arms.

Small nations set to benefit most from EC single market

BY WILLIAM DAWKINS IN BRUSSELS

THE MAIN winners from the European Community's drive to create a single market by 1992 will come from the small member states and not, as widely thought, from the most powerful economies, says a US study.

Denmark, followed by Greece and the Netherlands, will achieve the biggest improvements in economic growth in the EC by the middle of the next decade if member states accept European Commission plans to reduce differences in VAT rates and remove frontier controls, claims the report by DRI Europe.

Tbs company's compnter model of EC economies suggests thet the four largest member states – West Germany, France, Britain and Italy – can expect a lift of less than a quarter of a percentage point in growth in gross domestic product by 1995, while the change in GDP growth rates for their Community partners will be nearer 2 per cent. This assumes that the VAT package is adopted in gradual steps starting next year.

Smaller member states look set to gain more than most from ending internal European trade barriers because they depend more on trade with the rest of the EC than their larger Community partners, DRI points out.

Denmark will be by far the biggest winner, with a more than 7 per cent improvement in economic growth rate, it predicts. This is partly because Denmark's VAT rates are among the highest in the EC, so consumer spending there would receive a bigger boost than almost anywhere else. Denmark is also helped by its tradition of setting wages every two years, thereby delaying the speed at which disposable incomes could fall to adjust to lower sales taxes.

More generally, countries like Greece, Portugal and Spain will benefit from their geographical positions on the edge of Europe. By definition, their exports to other EC countries have to cross more boundaries than their French or West German counterparts, so that they will feel a greater benefit from the ending of border controls.

DRI's overall EC growth estimates seem lower than the Commission's own because they only track the short-term impact of harmonising VAT and scrapping border checks, rather than outlining the possible long-term consequence of all 300 of Brussels' proposals for dismantling trade barriers, as in the Community's own study. But adjusting for those differences, DRI says its findings broadly confirm Commission estimates of the potential reward – an up to 4.5 per cent boost to Community GDP – of achieving an internal market.

Greece stresses importance of Cyprus accord

By Andriana Ierodiaconou in Athens

ATHENS warned Ankara yesterday that a solution to the Cyprus problem involving the withdrawal of Turkish troops from the island was the key to a lasting improvement in Greek-Turkish relations.

The Greek Government was reacting to statements by Mr Mesut Yilmaz, the Turkish Foreign Minister, who was reported to have asserted in parliament this week that Ankara was not prepared to withdraw "even a single soldier" from Cyprus.

Turkey invaded and occupied the northern third of the Mediterranean island republic in 1974, in the wake of a Greek military coup there.

Tha exchange of statements marks a renewed hardening of both the Greek and the Turkish policy line on Cyprus.

● Greece's consumer price index for March rose 3 per cent from February and 13.2 per cent from March 1987, according to official statistics released yesterday, AP reports from Athens.

The National Statistical Service attributed the increase to higher prices for clothing, household appliances and everyday consumer goods.

Pöhl reaffirms inflation is Bundesbank priority

THE FIGHT against inflation remains the prime task of West Germany's central bank, Bundesbank president Mr Karl Otto Pöhl said yesterday, Reuter reports from Frankfurt.

Mr Pöhl appeared to underline the view that West Germany sees no room for further stimulation of its economy by cutting interest rates, already at historic lows.

He agreed that there was a need for international economic cooperation, but good economic policy began at home, he said in a speech at the opening of a new building for the Hesse state central bank, a regional office of the Bundesbank.

"For German monetary policy this can only mean that even under difficult external conditions it must stick to its basic line – securing price stability in the Federal Republic.

"The Federal Republic owes so much to a successful stability policy . . . that it would be foolish to give up or even only relativise this policy for the sake of other goals," Mr Pöhl said.

Mr Pöhl said in Washington last week that it would be irresponsible for the Bundesbank to cut interest rates.

He had been attending meetings of the International Monetary Fund where major nations agreed to cooperate to reduce global trade imbalances.

In contrast to previous meetings West Germany did not come under official US pressure to use interest rate or tax cuts to boost its economy to suck in more imports and reduce its large trade surplus.

However, major nations and the IMF interim committee said that West Germany should stimulate domestic demand by economic structural reforms.

In his Frankfurt speech yesterday Mr Pöhl declared Bundesbank support for the idea of a single European currency and central bank, *recently pushed by* the French authorities.

"Contrary to many assertions, the Bundesbank does not in any way belong to the opponents of such a project," Mr Pöhl said.

However, he said West Germany could only accept a European currency which would eventually replace the DM if it was kept strong by an independent European central bank committed to fighting inflation.

"As far as I am concerned this currency can be called franc, but it must be a 'franc fort' – strong franc," he said.

Europe's central bank could, he suggested, be based in "Francfort sur le Main" – Frankfurt. That, of course, is the Bundesbank headquarters.

Unemployment rises sharply in Hungary

UNEMPLOYMENT in Hungary has risen from 10,000 jobless last year to 30,000 this year, and is expected to go up by another 19,000 later this year, a labour official was quoted as saying yesterday, AP reports from Budapest.

However, Mr Csaba Halmos, president of the National Office for Wages and Labour, said that 10,000 new jobs were expected to be created this year.

According to the Communist party daily Nepszabadsag, which carried Mr Halmos' remarks, the *labor official said about 700,000* people change jobs each year out of Hungary's total workforce of some 5m.

Rising unemployment in Hungary is largely a consequence of austerity measures introduced by the Government that inclnde streamlining or closing down companies that are chronically in the red.

Mr Halmos was quoted as saying some 19,000 jobs would probably be eliminated this year.

He said unemployment was likely to increase, but called for caution in claiming it could rise to some 100,000 to 150,000. According to official estimates in Hungary, there could be as many as 200,000 jobless by the year 1990.

California judge rules to extradite West German

BY ANDREW FISHER IN FRANKFURT

A CALIFORNIAN judge has ruled in favour of the extradition of Mr Joachim Schmidt, a former foreign exchange broker whom West German judicial authorities want to question in connection with the currency fraud revealed at the Volkswagen (VW) motor group a year ago.

Mr Schmidt was arrested in Hollywood last November after a seven-month search.

He disappeared from his Frank*furt office shortly* after the fraud was uncovered and had been sought around the world.

VW set aside DM 473m ($285m) in its 1986 accounts to cover the fraud losses.

The extradition order is expected to be signed on Monday, though Mr Schmidt's lawyer said an appeal would be made, saying the documents had been wrongly prepared.

The state prosecutor's office in Lower Saxony, where VW is based, said appeals could be lodged at two further legal stages, but described the chance of the extradition effort succeeding as "not bad."

Charges could now be prepared soon, it added.

If Mr Schmidt's extradition was delayed, charges could still be laid against others alleged to have been involved.

Mr Carl Retemeyer, spokesman for the office, said it would be "a particularly friendly act," if Mr Schmidt would speak now about the affair, while investigations were still being carried out.

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Moscow urged to encourage joint ventures

BY QUENTIN PEEL IN MOSCOW

SHARP criticism of the Soviet system of joint ventures with Western companies, a sudden spate of which has been announced in recent weeks, has led to a new call for the creation of favoured economic zones to attract foreign investment.

Big US corporations have now joined a growing list of European and Japanese companies seeking to set up joint ventures with Soviet state enterprises, but Soviet commentators themselves accept that the concept is not as popular as they had hoped.

The latest criticism appears in the outspoken Soviet government weekly newspaper Moscow News, quoting attacks on the new system made by leading US businessmen at a conference in the Soviet capital last week.

Economic columnist Aleksander Bikov concludes that new ideas such as exclusive economic zones - particularly in areas with a scientific and industrial infrastructure like the Baltic republics - must be developed to attract foreign co-operation.

He cites criticism of joint ventures including "the excessive bureaucracy which still persists, the long drawn-out nature of negotiations to establish joint ventures, and their practical realisation, the absence of firmly-established laws regulating joint ventures, their lack of flexibility and capability of adapting to the particular interests of both partners."

Mr Bikov concludes that Western companies "justifiably compare the package being offered them by the Soviet Union with what is being offered by other countries."

The idea of special economic zones was also raised in a recent interview with the Financial Times by Mr Oleg Bogomolov, director of the Institute of Economics of the World Socialist System, who said it was under discussion among Soviet leaders.

Apart from the suggestion of the Baltic republics, Mr Bikov suggests special zones for joint mining and refining of fossil fuels, for example in the Soviet Far East and mentions the possibility of special tax rates and other incentives.

"Great opportunities are opening up for the expansion of exports and consequently for the influx of foreign currency so that we may more fully satisfy the demand of the home market for high quality consumer goods."

Taiwan may seek end to EC barriers

BY BOB KING IN TAIPEI

TAIWAN is likely to insist that EC nations drop many of the tariff and other barriers that block Taiwan's access to Western European markets before it grants them the same preferential treatment that may be afforded to the US.

Regular trade talks between US and Taiwan officials, starting next week, may result in an extension of the "national treatment" privileges already granted to the US to include access to this market in areas such as banking and insurance.

Taiwan may be particularly amenable on this issue, involved as it is in a programme to upgrade its own financial and insurance sectors. The US enjoys a particularly close relationship with Taiwan, despite the lack of formal diplomatic ties, which the Europeans do not have.

While Taiwan seems especially keen to firm up trade relations with Europe, European nations hoping to ride on the coat-tails of the US after the talks will thus find the process of obtaining the same sort of concessions more difficult than some hope.

The local press has reported, for instance, that the Taiwanese are seeking an annual 1 per cent growth in textile quotas to EC nations as one of the conditions for trade concessions of its own.

During the talks with the US, the American side will concentrate on greater copyright protection for translations of American works in particular and intellectual property rights in general.

The talks will also cover nuclear parts of old ground, such as increased marketing of American beer, wine and tobacco products. Unlikely to be discussed, however, are highly-charged questions of access for American agricultural products such as fruit and poultry - both of which have sparked angry demonstrations by Taiwanese farmers and poultry-raisers in recent weeks.

The US regards the talks as simply part of a series aimed at opening Taiwan's market to more imports and lowering protectionist sentiment in Washington.

Europeans, on the other hand, have said privately that they are awaiting the results of the talks before setting an agenda for their own talks with Taiwan, which at least one local paper has said would be held at the month's end in an undisclosed third country to avoid angering Peking.

Australia denies misuse of its uranium

By Chris Sherwell in Sydney

THE Australian government yesterday denied allegations that its uranium was being diverted away from peaceful uses because of breaches of its international safeguards.

The controversial claims first appeared earlier this year in Der Spiegel, the West German magazine, and have since been repeated by members of both the European and Australian parliaments.

Among other things, they suggested that the European Atomic Energy Community (Euratom) had set out with a West German nuclear company to circumvent safeguards on Australian uranium, and that Australian requirements for exchanging nuclear obligations ("swapping flags") had not been complied with.

The issues of uranium mining and trade are politically sensitive in Australia. The ruling Labor party is under constant pressure not to export uranium, especially to France, which conducts nuclear weapons tests in the South Pacific.

Mr John Kerin, Australia's Minister of Primary Industry and Energy, yesterday said the Government had examined the allegations thoroughly.

He said they appeared to flow from a lack of understanding of trade in nuclear material, and confusion over flag swaps.

They also stemmed from a failure to understand the equivalence principle used in nuclear materials accounting. He said this ensured that at all times there was a known quantity of nuclear material identified as being subject to Australian safeguards obligations.

"For every 50 tonnes of Australian material that enters the European system, the equivalent of that 50 tonnes always carries safeguards obligations to Australia," he said.

"These safeguards obligations ensure that the Australian-origin nuclear material is locked into the civil programme and cannot be diverted from peaceful use without being detected."

Mr Kerin detailed why the safeguards to which the Der Spiegel allegations related had not been breached.

Arianespace in Indian deal

ARIANESPACE, the French company which sells launches of Western Europe's Ariane rocket, has signed a $158m (£78m) contract with India to place two satellites in orbit, Peter Marsh writes.

The contract means Arianespace has orders for launching 44 satellites worth $3.5bn.

Barbara Durr reports on ambitious sales targets for a clothing exports promotion

Rich textile potential gives Garcia ideas

NEXT year the cotton-knit shirt hanging on the rack, whether it be at Marks and Spencer or Bloomingdale's, may well be Peruvian-made.

Clothing is the first priority in a new export promotion campaign in which Peru wants to increase its clothing exports from last year's modest $40m to $400m by 1991.

Government and industry officials say the tenfold jump will be achieved largely by converting or expanding the country's more developed textile industry, which exports approximately $175m per year in yarns, cloths, and non-apparel items.

Having registered a trade deficit of $557m last year and exhausted its net foreign currency reserves, Peru sees garment-making as a rich potential hard-cash earner that will require relatively little new investment.

Mr Enrique Cornejo, president of the Foreign Trada Institute, calculates that clothing exports bring in three times as many dollars as textiles. Thus, he believes that with some changeover by textile manufacturers the $400m goal is not too ambitious.

The Government also considers that a clothing push will enjoy the country's competitive advantage of being a producer of high-grade alpaca clothing. Peru is the world's largest producer of fine alapaca and is a minor producer of wool. Labour is also cheaper than in Hong Kong, clothing makers said.

In addition, the collapse in Peru'a consumer boom means that the domestic market is shrinking fast and producers are anxious to turn elsewhere for sales. Kicking off the clothing campaign, President Alan Garcia issued an executive decree at the end of February that gave exporters of cotton, alpaca and wool garments the highest official exchange rate of 75 intis to the dollar, preferential granting of scarce dollars for importing inputs and machinery and the highest rate of tax rebates for exports at 35 per cent.

The decree was heartily welcomed by the National Association of Industries' clothing manufacturers committee, which had been lobbying for the scheme. Mr Ricardo Marquez, president of the committee, believes that garment-makers will jump in to raise exports for this year alone by 50 to 60 per cent. He added that textile companies are already putting in orders for clothing machinery or expanding production.

Garcia: incentive package

To qualify for the scheme's benefits, the Government stipulated that a company must export at least 60 per cent of its production, re-invest 60 per cent of its profits in its own plant or secondary input industries and use only 15 per cent foreign content in its products.

Only 44 garment-makers out of his committee's 200 members can already or will soon be able to meet such conditions, according to Mr Marquez. The amounts of exports per company remain modest. Peru's largest garment exporter, Nettalco, part of the La Fabril group, owned by Bunge & Born of Sao Paulo and Buenos Aires, recorded 1987 sales of $22m, 85 per cent of which were exports. "We won't be a Taiwan or Korea," remarked Mr Ricardo Vega, president of the Exporters' Association.

Mr Vega cautioned that, while the clothing plan is promising, exporters in general have been discouraged by poor rates of exchange under the Garcia Government. He claims that a permanently lagging exchange rate for exporters has decapitalised many companies and forced others to abandon the business altogether.

Clothing manufacturers, while pleased to be the most favoured of the unfavoured, say that under the scheme they will, in fact, only receive approximately 100 intis to the dollar. "This does nothing more than put us at the same level as our international competitors," said one company general manager.

Low business confidence could dampen the success of the plan. There is general concern about the Government's consistency; a benefit given today could be wiped out tomorrow, company executives say.

Mr Cornejo seems confident that Peru will be able to place its relatively small amount of clothing in a worldwide market of about $64bn. Given the high quality of the fibres used, the country is aiming at the higher end of the market.

Garment-makers are targeting the US, where Peru has consistently used only about half its clothing quota, and Europe. Peru's debt to the Soviet Union is partly paid in clothing.

In his new zeal to promote exports, Mr Cornejo said that he will now introduce incentive packages for four other groups of products: fish and shellfish; mining and other metal equipment; agricultural products such as asparagus and natural dyes; and minerals.

Tanker industry 'needs reform'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE tanker industry faces a period of radical change over the next decade if the ageing world fleet is to be replaced, according to a report published today.

The report, Tankers 2000, is the first in a series of factual surveys planned by First International Capital, a specialist shipping financier with offices in London and New York.

It concludes that the volume of oil shipped by sea will continue to increase, particularly between the Middle East and North America, Europe and Japan.

This is because the 24 members of the Organisation for Economic Co-operation and Development account for 57 per cent of consumption, but only 6 per cent of reserves.

The report says many new ships will have to be ordered soon to replace much of the existing fleet, of which 90 per cent is more than 10 years old. But the industry is in "poor shape" because of low financial returns caused by over-capacity, and most tanker owners are unable to finance replacement costs.

In addition, the industry has developed "something of a stigma" among banks, which financed earlier tanker orders only to find that most loans under-performed. As a result, new lending has been reduced to a minimum.

First International's researchers say the industry needs to develop ships to standard sizes and specifications, which can meet the requirements of different trades. The report calls for more joint ordering of tonnage, and says leasing arrangements, backed by direct long-term contracts with charterers, offer "great potential."

Tankers 2000, $200 from First International Capital, 6 Long Lane, London EC1A 9HA.

Deutsche Airbus may move production abroad

DEUTSCHE AIRBUS, a West German part of the European consortium making the Airbus airliners, may move some production abroad to cut costs, according to Mr Franz Josef Strauss, its supervisory board chairman, Reuter reports from Hanover.

Mr Strauss, the Bavarian Premier, said at the Hanover Industry Fair yesterday that talks would be held with foreign companies, including some in Asia.

He said that the Bonn government wanted the loss-making Deutsche Airbus to cut costs by DM660m (£210m) by 1990 as a condition for further financial help. "The most stringent savings," however, could save only about DM270m and production overseas would help make up the difference.

Bonn will pay DM1.9bn this year towards past losses incurred by Deutsche Airbus, while its parent company, Messerschmidt-Bölkow-Blohm (MBB), the aerospace concern, has contributed about DM300m in the last two years.

Besides MBB, the Airbus consortium comprises companies in France, Britain and Spain.

THE HIJACK AND THE MIDDLE EAST

Arafat stays away as Abu Jihad is buried

BY TONY WALKER IN DAMASCUS

SURGING crowds singing patriotic songs, chanting anti-Israel slogans and waving Palestinian flags converged on a dusty cemetery in Damascus yesterday for the funeral of Abu Jihad, the Palestine Liberation Organisation's military commander slain in Tunis at the weekend in an Israeli commando raid.

Syrian riflemen fired a fusillade of shots in the air as the coffin, draped in a Palestinian flag, was lowered into a freshly-dug grave under spindly pine trees in the "Martyrs" cemetery, located in the sprawling Yarmuk refugee camp in a Damascus suburb.

Mr Yassir Arafat, the PLO chairman, did not appear at the graveside, thus robbing the occasion of some of its drama. Palestinian sources had said earlier in the day that Mr Arafat was on his way to Damascus with Col Muammer Gadaffi of Libya.

Mr Arafat's decision not to attend the funeral may have been prompted by security worries. His arrival in Damascus had been keenly expected because it could have been interpreted as a sign that he was being reconciled with Syria's President Hafez al Assad. The two were estranged over Syria's backing in 1983 of an insurrection within Mr Arafat's own Fatah mainstream faction. The attempted putsch forced him to quit his last stronghold in Lebanon.

Syrian soldiers yesterday struggled to keep order as thousands of Palestinian mourners marched towards the small cemetery where foreign journalists and television crews had gathered, together with leading PLO figures and members of Abu Jihad's family, including his aged mother.

The death of the PLO's military commander, who was in charge of guerrilla operations against Israel, is a severe blow to Mr Arafat. Abu Jihad was the PLO chairman's most trusted aide, and one of the original founders of the Fatah mainstream faction that dominates the PLO hierarchy.

The Security Council will meet today to take up a Tunisian complaint against Israel over the assassination of Abu Jihad, the Palestinian guerrilla leader, a UN spokesman announced yesterday, Reuter reports from the United Nations.

UK calls for hijackers to be brought to justice

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN yesterday called for the hijackers of the Kuwaiti airliner to be brought to justice for killing two passengers, though it welcomed the release of the hostages.

The US Government also expressed the hope that the Algerians would not let the hijackers go. "Our position is that terrorism should not be rewarded, which means that people should not make concessions to terrorists," Mr Paul Bremer, US Ambassador-at-large for counter-terrorism said. "We don't know at this point whether concessions were made."

Mrs Margaret Thatcher, the Prime Minister, who had advised the Kuwaiti Government from the very start not to do any deals with the hijackers, maintained her uncompromising stand after the end of the affair.

"We have to remember that a particularly vicious act of terrorism has been committed, including the cold-blooded murder of two innocent people," a senior Downing Street official said yesterday. "The British view is that those responsible should be brought to justice.

"If terrorists are allowed to escape unpunished, it will only lead to more hijacks and hostage-taking," the official said.

Mr David Mellor, Minister of State at the Foreign Office, praised the Kuwaiti government for refusing to give in to the hijackers' demands.

The British Government will pursue the problem of hijacking and terrorism in all international forums.

In Paris, the French government expressed its satisfaction over the release of the hostages, but declined further comment. However, the Elysée Palace confirmed that President François Mitterrand yesterday had a telephone conversation with President Chadli Benjedid of Algeria yesterday concerning the affair.

The Algerian Ambassador in Paris, Mr Abdelhamid Mehri, also declined to give any details yesterday when questioned on the possibility of Algeria helping to obtain the release of the three remaining French hostages held in Lebanon. Negotiations to release the three men were reported to be very advanced until the Kuwait airliner hijack.

The last hours of the hijack drama

THE FOLLOWING is the sequence of events as the hijack drama came to an end early yesterday morning, with all times in GMT.

0205 - Gunmen ask for "Haj", the Algerian go-between who has conducted nearly all the negotiations on the aircraft since it arrived from Cyprus, to go aboard.

0220 - "Haj", believed to be Mr Mohamed Tahar, an Algerian security officer with special responsibility for Lebanon, emerges from the aircraft.

Arc lights around the Boeing had been switched off earlier in the night for only the second time since it flew into Algiers airport from Larnaca a week earlier.

0245 - The hijackers start reading their final message. The statement, in Arabic and monitored by Reuters, begins with a recital of a verse from the Koran then launches into an attack on the US and Israel in the language of revolutionary Islam.

It says: "We have not dropped our demand for the freeing of our brothers in Kuwait. . . we will end the case of the plane on the third day of Holy Ramadan. . . we are giving the plane back to its owners."

The statement says the hijackers still believe their cause is just and would like to see the release of the 17 and other Arab militants in European and Israeli jails. "In the name of God the merciful, we pay homage to the ones who fought for us and are prisoners."

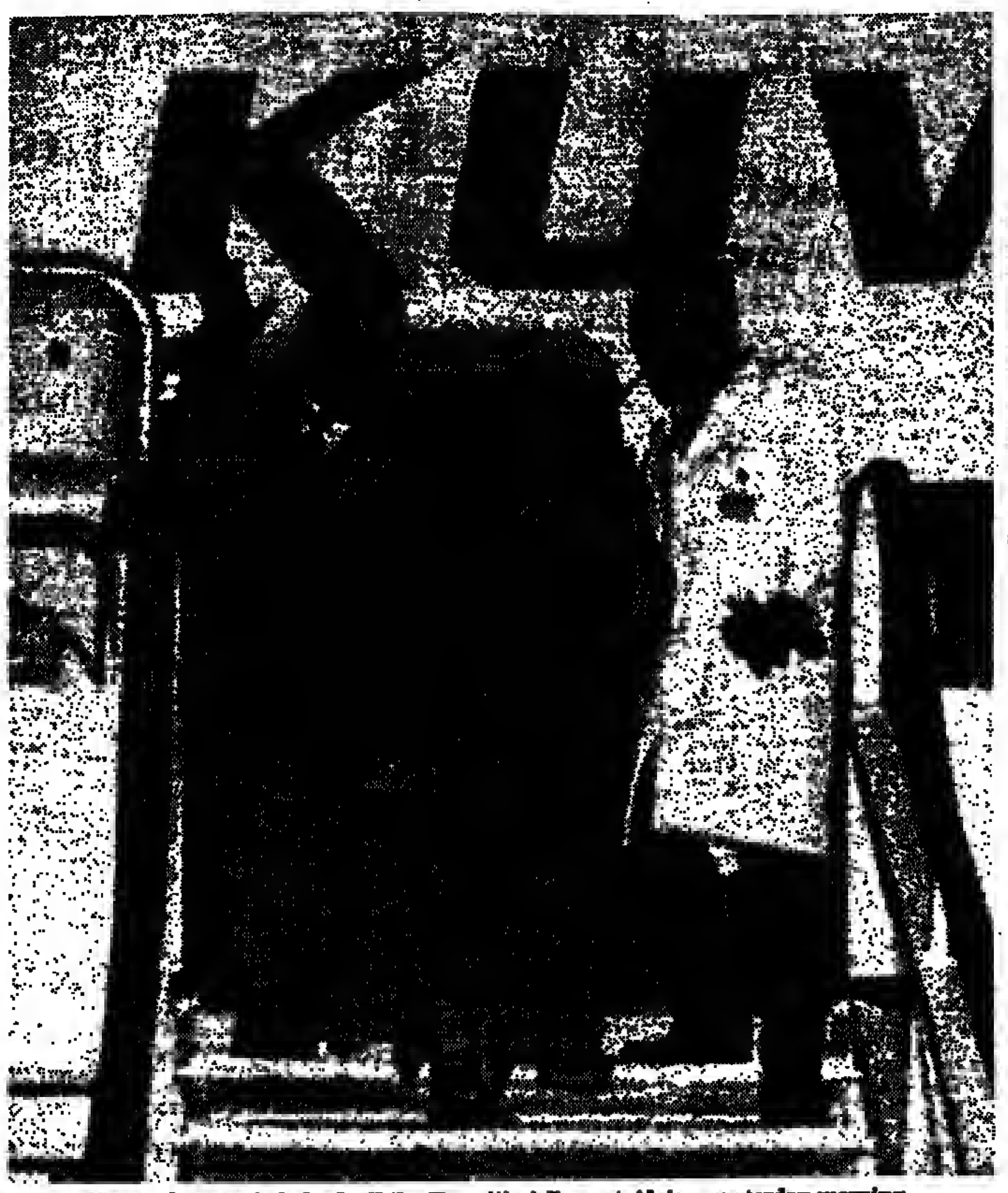
0410 - Mr El-Hadi Khediri, Algerian Interior Minister, tells reporters "a happy and peaceful solution" has been found.

Asked for details and the fate of the hijackers, he says: "It was a question of saving lives and we cannot talk about the bargaining. . . That is a question which concerns Algeria."

0500 - Two women hostages from Kuwait's ruling al-Sabah family leave the aircraft, followed by the other 22 passengers and seven crew.

Airport sources say hijackers had been spirited away from the aircraft in two groups 45 and 15 minutes earlier, their whereabouts unknown.

In Kuwait, diplomats say the Algerians agreed to free the hijackers, identified as pro-Iranian militants from Lebanon, and allow them to slip away after holding them temporarily.



Woman hostage is helped off the Kuwaiti airliner at Algiers yesterday morning

Ordeal ends as bleary-eyed hostages stumble to freedom

BY OUR FOREIGN STAFF

THE 31 hostages on the hijacked Kuwaiti airliner showed understandable relief, and in some cases remarkable stoicism, as they stumbled to freedom, bleary-eyed and unshaven, early yesterday morning.

"I feel tired now, but when we got off that plane, we forgot about everything because we were very happy," said Mr Faisal Al-Anjeri, 24. "It was very bad for us," he added, as though that needed saying.

He said the hijackers, who regularly forced captives to plead for the release of the Kuwaiti prisoners in return for their lives, had "briefed" their hostages every two days. "They said, take it easy, don't think about it."

Mr Sobhi Naim Youssef, the airliner's Iraqi pilot, 53, said: "I worried about every part of it, but I am relieved now."

A passenger, Mr Said al-Rakan, 50, said with glazed eyes: "I'm very happy. We sat for days with our hands tied. . . I always felt that I was going to live. They didn't treat us too badly, they were polite."

The air pirates also sprayed the aircraft regularly to combat the stench from blocked toilets and inadequate air-conditioning.

The passengers were taken to Ain Naaja military hospital, and were due to be flown back to their jubilant families in Kuwait today or tomorrow. The Kuwaiti news agency KUNA said they were in all in good health.

Most of the passengers appear to have been woken shortly after dawn by the sound of unfamiliar voices, which turned out to be those of the three or four Algerian officials who had boarded the aircraft.

Some of the passengers had worked out they were in Algiers by reading the wrapping on the food brought to them. They were forced to eat their food with their hands handcuffed in front of them, and to remain silent. A hostage released last Friday had apparently been beaten when he was refused access to the toilet, and then asked for a gun to kill himself. But most of the passengers appeared otherwise to have been treated courteously.

The Egyptian purser, Mr Abdul-Monain Abdul-Razak Mahmoud, said that the hijackers reminded him of sharks, with their heads wrapped in hoods made out of blue cushion covers.

"Have you ever seen a shark in the water? The same eyes exactly, no expression, pale face and very steady hands in my face asking me to give up."

The Iraqi captain, Mr Youssef Subhi, said that he was afraid on and off but that he never lost hope. "I worried about every part of it, but I am relieved now," he told reporters.

The passengers said they had seen the hijackers with explosives but they did not know whether the doors had been wired.

Khediri: "lives have been saved"

Why Algiers tried so hard

By Francis Ghiles in Algiers

"THOSE who hijacked the Kuwaiti Boeing 747 may be terrorists, but so were those who killed Abu Jihad," was the laconic reaction of one senior Algerian after hearing of the killing of the Palestine Liberation Organisation's military commander in Tunis early last Saturday morning.

One of the reasons why Algerian negotiators persevered in their efforts to secure the hijacked Kuwaitis' release was their desire to get the revolt in the Israeli-occupied territories back onto the front pages.

Algerians identify strongly with the struggle in the occupied territories because the events and pictures of recent months remind them of their own independence war in the 1950s; and of the fact that richer Arab states, while paying tribute to the struggle, did little to help.

The other reason was given by the leading Algerian negotiator, Mr El Hadi Khediri, the Interior Minister, during a brief exchange with journalists at the airport at 5.30am. "Human lives have to be saved," he said. He refused to be drawn on what the "deal" reached with the hijackers may have been, but insisted that it was "unworthy" to suggest there had been any "horse-trading".

In all likelihood the Algerians will spend some time "debriefing" the hijackers before they depart for an unknown destination. Algerian security officials make a point of maintaining close contacts with shadowy groups in the Middle East and Lebanon, and these contacts which have given them crucial leverage over the past week.

The negotiations conducted over the past week in Algiers, and maybe elsewhere in the Middle East, were led by a team headed by Mr Khediri and Gen Lakehal Ayat, who is in charge of military security.

Iraq offers halt to attacks on cities

By Our Foreign Staff

IRAQ yesterday offered Iran a conditional halt to attacks on civilian centres in their war of the cities, saying it would observe the ceasefire from midnight, agencies report.

Baghdad Radio quoted an official spokesman as saying Iraq would retaliate with massive attacks if Iran violated the conditions for the truce. Earlier, Baghdad said its aircraft attacked the Iranian towns of Dezful, Boroujerd and Hamadan.

At the same time, Iran said it had launched a land offensive on northeast Iraq, while Kuwait reported that the Iranian authorities had for the first time fired a Soviet-made Scud missile into its territory.

Iran's official Islamic Republic News Agency said Iranian forces killed or wounded 200 Iraqis and captured more than 250 in its offensive in the Shemiran mountain region of Kurdistan. It said helicopter gunships and anti-tank teams knocked out dozens of Iraqi tanks.

The new Iranian land operation appeared to have been spurred by Iraqi recapture of the Faw peninsula and Monday's clashes with the US navy.

Journalists were shown round the Faw peninsula yesterday and saw dozens of Iranian corpses littering both sides of the main road through the area.

According to diplomatic sources in Kuwait, the Scud missile landed near the al-Wafra oilfield, 50 miles south of Kuwait city, without causing damage. The oilfield is operated by the US company Getty Oil in the so-called neutral zone shared by Kuwait and Saudi Arabia. Its production of 135,000 barrels per day is split 50-50 between the two states, both allies of Iraq in its 7½-year war against Iran.

Kuwait accused Iran of firing seven Silkworm missiles at its oil installations last year from the Faw peninsula, which lies on the west bank of the Shatt al-Arab waterway dividing the warring countries. Diplomats believe the Silkworms, with an estimated range of around 60 miles, may no longer be effective against Kuwait now that Iraq has retaken the peninsula.

● The French Navy said yesterday it had temporarily suspended monitoring French merchant ships in the Gulf after its vessels had discovered mines there on Tuesday.

It said in a statement the Navy would not accompany French ships travelling in the Gulf until "the risks have been clearly evaluated and navigation can once again be assured reasonably".

OTHER OVERSEAS NEWS

Current account deficit a worry for Australia

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN markets reacted nervously to an unexpectedly high monthly current account deficit yesterday, although the Government repeated that its forecast annual figure is still likely to be met or bettered.

The March deficit of A$1.18bn was the worst in five months and well above the highest predictions of A$1bn. It was not helped by an upward revision of the February figure from A$737m to A$802m.

The cumulative figure for the first three quarters of the financial year is now A$8.8bn, well below the equivalent 1986-87 figure of A$10.5bn. The Government's forecast for the year, made in last September's budget, was A$11.4bn.

Yesterday the markets reacted to news of the monthly figure by selling off the Australian dollar and Australian bonds and equities.

The trade weighted index of the Australian dollar finished at 54.3 (May 1970=100), down 0.2 from Tuesday's level. Earlier this week the currency reached its highest level in three years against the US dollar.

In yesterday's tender of A$500m in three-month Treasury bills, the average yield was just under 10.5 per cent, up from 9.655 per cent last week.

On the stock market the widely-watched all-ordinaries index lost 22 points to finish at 1,430 as share prices slid across the board in moderate turnover.

The main feature of the payments figures was a plunge back into the red for the balance of merchandise trade after three consecutive months of surplus.

Mr Paul Keating, the Federal Treasurer, called the figures "reasonable, but not terrific," and acknowledged that the economy was "running just a little bit too fast" as strong domestic demand continued to boost imports.

But he promised to continue the Government's tight fiscal stance in next month's mini-budget, saying that the current year's surplus would be repeated in 1988-89.

"Pulling the (foreign) debt down is priority number one for Australia," he said, and there could be no let-up.

Sudan refugee concern

INTERNATIONAL aid agencies yesterday expressed growing concern about the plight of more than 250,000 refugees from the civil war in southern Sudan who have arrived in Ethiopia, Michael Holman reports.

Their numbers are growing by over a thousand a day, and the Ethiopian Government has appealed for urgent assistance. The British office of CARE, the international relief agency, warned that "the remoteness and difficulty of access" to the area, "makes an immediate response by aid agencies almost impossible". The refugees are gathering in four camps, near the Sudanese border.

CARE officials describe it as "a potentially disastrous situation". Getting food to the area involves a round trip from the nearest port of over 1,800 miles. A fifth of the refugees are arriving "severely malnourished", according to reports from the UN High Commission for Refugees.

China's Silkworm missile adds to Middle East uncertainties

BY RICHARD JOHNS IN LONDON

IT WAS probably no coincidence that China yesterday called for an end to hostilities in the Gulf. The appeal followed a pooled despatch yesterday from reporters aboard the guided-missile frigate USS Jack Williams – later described as "erroneous" in Washington – that Iran had fired five Silkworm missiles on three US naval vessels.

A successful strike would almost certainly have lead to a further escalation of the exchanges. The Silkworm, with its 1,100lb warhead, more than three times the size of that of the French-made Exocet, is the most potent weapon deployed by Iran in its sustained threat to international shipping in the Gulf.

China's supply of the weapon to Iran became a leading issue between Washington and Peking towards the end of last year. The Administration briefly suspended its relaxation of restrictions on high-technology sales to China because of evidence of the continued supply of the missile, despite repeated denials by Peking.

The curbs were lifted earlier this year when China explicitly undertook to halt arms supplies to the Islamic Republic – having, Western analysts assumed, fulfilled a contract to deliver as many as 100 of the ground-to-sea "coastal defence" missiles.

It is generally believed the deal was concluded when Mr Hojateslam Ali Akbar Hashemi Rafsanjani, Iran's parliamentary speaker, visited Peking in November 1986.

The Silkworm is based on the SS-N-2, or Styx, anti-ship missile supplied to it by the Soviet Union.

Its effective range is reckoned to be about 50 miles though it could be extended by reducing the size of its warhead.

The Styx was used by Egypt in November 1967 to sink the Israel destroyer Eilat.

In February last year batteries were deployed near the Strait of Hormuz at Kuhestak opposite the Oman's Masandum Peninsular, on Hormuz Island near the Bandar Abbas naval base, and on Qeshim Island. They were seen as having the potential to throttle the flow of oil from the Gulf.

On September 5 last year an attempted strike against Kuwaiti's Al Ahmadi oil complex fell short because of the Silkworm's limited range. The missiles nevertheless fell uncomfortably close.

The Silkworm is a relatively unsophisticated missile and caused little damage to either the Sea Island City or the Liberian-registered Sungari five days earlier.

It remains to be seen whether or not they had been aimed at the US frigate. The Pentagon certainly would not want to concede that it was militarily incapable of "taking them out."

Catholic priest killed by rebels in Zimbabwe

By Michael Holman, Africa Editor

REBELS killed a German Catholic priest and injured another at a mission school to southwestern Zimbabwe near the border with Botswana on Tuesday night.

The killing is the first serious incident of rebel activity since the ruling Zanu-PF party of President Robert Mugabe merged with Mr Joshua Nkomo's Zapu party last December, and came a day after Mr Mugabe announced an amnesty for rebels who have waged a sporadic campaign against the Government since 1982.

The rebels political allegiance is uncertain, although the Government frequently accused Zapu leaders of supporting them. Hundreds of people mainly in Matabeleland province have died at their hands. Last November 16 white missionaries were hacked to death, and over 60 white farmers have been killed.

The Government announced recently that a marked improvement in the security situation, attributed to the merger agreement, had made it possible to withdraw most of the troops assigned to the province in the campaign against the rebels.

David Dodwell reports on talks aimed at redefining the status of Vietnamese boat people

Hong Kong moves to stem flood of refugees

SIR DAVID WILSON, Governor of Hong Kong, this week confirmed that Hong Kong and other countries of first asylum for Vietnamese boat people were considering a change in the status of new arrivals which would aim at their eventual repatriation to Vietnam.

He also attacked the Vietnamese Government for failing to tackle the root causes of a refugee problem that is causing mounting concern among Vietnam's neighbours.

The comments, made at his third press briefing since becoming governor in April last year, came just a day after a senior Hong Kong official returned from Indonesia where he held discussions on possible joint action by first asylum countries to staunch the flight of people from Vietnam more than a decade after the Communist government took control.

The Indonesian talks followed discussions in Thailand, Malaysia and Singapore and could lead to Vietnamese boat people being defined as economic migrants, displaced persons, or illegal immigrants. The move would not mean boat people would be refused asylum, but would indicate that resettlement prospects were minimal.

While they remain defined as refugees, boat people cannot be repatriated to Vietnam without their agreement. As illegal immigrants, they could be repatriated against their wishes if countries of first asylum reached agreement with the Government of Vietnam on suitable arrangements.

In his bluntest comments yet on the problem of refugees from Vietnam, Sir David Wilson said the government in Hanoi "bears a heavy responsibility for the appalling situation in which thousands of people continue to risk their lives at sea to get away from Vietnam."

While insisting that no policy decisions had yet been taken, Sir David confirmed that the governments of the region were considering whether to redefine refugees. A regional seminar is likely to be held next month and a common position is intended to be clear by October, when the UN High Commission for Refugees holds its annual general meeting in Geneva.

The recent resurgence of emigration from Vietnam, with 800 arrivals in Hong Kong so far this year – double the rate of exodus last year – has aroused mounting pressure among political leaders in Hong Kong for a long-term solution to be found to the problem.

The reasons for this resurgence are not clear. It has been suggested that crop failures and a number of severe typhoons have increased economic hardship for the fisherfolk and farmers who make up most of the boat people fleeing Vietnam.

Sir David Wilson: fresh diplomatic initiative

It is clear, however, that the authorities in Hanoi are doing little to restrain migration – perhaps because of a conviction that malcontents are better outside the country rather than fomenting dissent inside it, perhaps because foreign exchange remittances from migrants resettled in the West account for an important share of the country's paltry foreign exchange resources.

While tha resurgence is nowhere near the panic proportions of 1979, it comes at a time when resettlement countries are becoming less and less willing to accept new arrivals. Because many come from north Vietnam end are not ethnic Chinese, they are not obvious targets for persecution in Vietnam and are often blatantly economic migrants in search of a better life.

Sir David noted yesterday that "compassion fatigue" among resettlement countries meant that the number of refugees being moved out of the territory's closed camps to resettlement countries was now less than new arrivals. As a result, the total refugee camp population has risen to more than 10,000 – its highest level for three years, giving Hong Kong the second largest refugee population in Asia after Thailand.

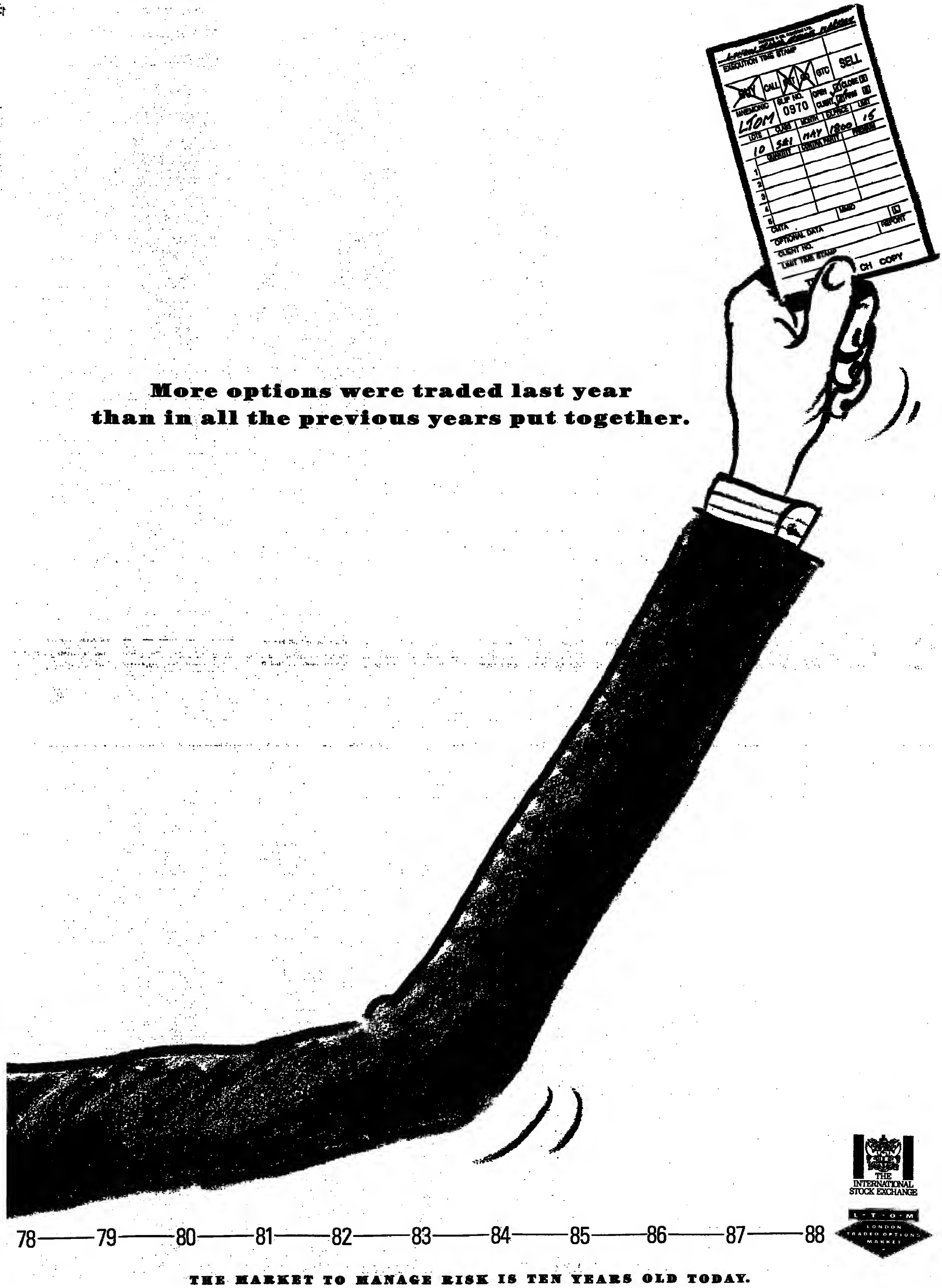
Political leaders in Hong Kong have become increasingly strident in their demands for a long-term solution to a problem that has cost the taxpayer about HK$800m (£54m) since 1979. The safe haven offered to migrants from Vietnam contrasts awkwardly with the strict repatriation policy enforced on illegal immigrants from mainland China.

Leaders are also irritated by regular sniping from politicians in the West about the maintenance of a closed camp policy and about conditions in camps. Mrs Rita Fan, who heads the legislative council's ad hoc group on refugees, commented: "Keeping camps closed may not be a very effective deterrent to fresh migration, but if we don't use this then we have no deterrent at all. While we find a long-term solution, they are a necessary evil."

The ad hoc group recently discovered that the Government is not compelled by international law to offer asylum to migrants from Vietnam. While government officials insist that there is nonetheless a moral rather than legal obligation forcing it to keep its doors open, the discovery sparked debate among Hong Kong's frustrated political leadership over whether the policy of first asylum should be abandoned.

Sir David gave assurances this week that the Government had no intention of refusing asylum to new arrivals: "We will not see people sinking in boats in front of Hong Kong," he said. His confirmation that a fresh diplomatic initiative has been launched with other South-East Asian states will nevertheless comfort restive leaders in the territory.

But it is clear that no long-term solution is possible without sea-changes in Hanoi. The Vietnamese Government remains intransigent and it would take a rare optimist to signal any prospect of change. The possibility of repatriation may remain hypothetical for many years.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THE MARKET TO MANAGE RISK IS TEN YEARS OLD TODAY.

In the wake of the New York primary our US correspondents chart the remaining course of the race for Democratic presidential nominee

A blunder apart, 'the Duke' looks to be safe

"DOOK, DOOK, DOOK," chanted the happy crowd of supporters as Governor Michael Dukakis of Massachusetts appeared before them. In the cramped ballroom of the Omni Park Central Hotel in Manhattan late on Tuesday night, they were to celebrate his convincing victory in the key New York State Democratic Presidential primary election.

Flanked by his Jewish wife Kitty and his cousin Olympia, the Oscar winning actress, the normally reserved governor allowed himself a little self-deprecatory joke about his continuing inability to inspire amongst the voters the sort of enthusiasm stirred up in the New York election by the man he defeated, the Rev Jesse Jackson. The black activist once again demonstrated that he is a power to be reckoned with in the Democratic Party.

"If we can make it here we can make it anywhere. All it takes is a strong message, lots of hard work . . . and plenty of charisma," Mr Dukakis remarked with a wry smile.

It was a moment in some ways reminiscent of the picture presented by Vice-President George Bush in the days before the vital New Hampshire Republican primary election in February.

Then, struggling to recover from his stunning third place finish in the Iowa caucuses a week earlier, a badly shaken Vice-President was practically begging his audiences not to reject him because he was not very good at articulating the deep passions he said he felt about where he wanted to lead the country if he became President.

Mr Dukakis, however, has an air of authority about him – of the kind one encounters in the chief executive of a well-run company or the governor of a central bank – which Mr Bush often appears to lack. "The Duke" would never appear in public practically begging for support.

But he shares with the rival he will probably meet in November's Presidential election an apparent lack of passion for the causes to which he says he is committed.

Indeed as Mr Dukakis was speaking, one well-known Washington political consultant in the audience was grimly, but prematurely, writing off his prospects of winning the presidency.

Likewise in Washington a week ago a well-connected conservative Republican remarked that already Mr Bush was being advised to prepare for the General Election by getting himself a strong Vice-President and a cadre of good speakers to support his cause.

For those who are saying that the looming Bush-Dukakis battle for the presidency could turn into a narrow tactical battle, and one which might not prove to be very edifying, disturbing evidence was buried in the pages of yesterday morning's newspapers.

Vice-President Bush was busy on Monday defending his decision to seek the endorsement of former Mayor Frank Rizzo of Philadelphia, a man who ran a racially polarising campaign against Philadelphia's black Mayor Wilson Goode last year. The polls suggest Mr Bush may find it very difficult to hang on to the support of many of the white, blue collar voters who turned out in droves for President Ronald Reagan in 1980 and 1984.

The Vice-President, however, does not seem to face quite the same scale of problem as Mr Dukakis as he seeks to unite his party around his candidacy.

That the Massachusetts governor will be the Democratic nominee is now pretty much taken for granted by political analysts even

though, as he admitted yesterday morning in his first post-primary press conference, it is unlikely that he will have a numerical majority of the delegates to the party's July nominating convention when the primary season ends in June.

His victory in New York was much more convincing than most observers had been expecting and, as political analysts sifted through the breakdown of the vote, they quickly came to the conclusion that he would have to make a catastrophic blunder to lose the nomination now.

Going into the final round of primary elections which begins next week in Pennsylvania, Mr Dukakis has the momentum from a string of six election successes. He has a commanding lead of around 200 convention delegates over his nearest rival, Mr Jackson. Out of self-interest and a desire to minimise internal party friction many more are likely to rally behind him now that he looks like a winner.

Senator Albert Gore, the third candidate in New York's primary, looks likely to withdraw from the race for the nomination after having done so badly on Tuesday night. This will strengthen Mr Dukakis by removing the threat (which did not materialise in New York) that a split white vote could boost Mr Jackson's chances in the coming primary elections.

Moreover, in New York Mr Dukakis showed strength in all demographic and economic groups except non-white racial minorities and he overwhelmed Mr Jackson, often by four and five or more to one, in suburban and upstate areas of New York with similar voting characteristics to the states of Pennsylvania, Ohio and Indiana which are next on the election diary.

But if New York looks like the decisive turning point in his beautifully organised and planned campaign, there was a hint on Tuesday night too that the problems of leadership were already looming.

Mr Jackson, bitterly disappointed by his defeat in spite of a campaign which for the first time gave a black man victory in New York City by uniting black and hispanic voters and perhaps 15 per cent of the white vote, failed to appear for scheduled television interviews in the middle of the evening. If he was sulking his depression had passed just before midnight when, to scattered boos amongst his supporters, he graciously conceded defeat and congratulated his rivals.

The episode will have increased raised concerns about the aftermath of the racially divisive remarks made in the primary campaign by New York Mayor Ed Koch on behalf of – so he said – Senator Gore.

Will it now be more difficult for example, to satisfy Mr Jackson who will continue to accumulate delegates in the weeks ahead?

Mr Dukakis is widely perceived to need a strong southern conservative candidate, perhaps Senator Sam Nunn, on the Democratic ticket to compensate for his questionable appeal in many southern states, particularly Texas where Vice-President Bush is strong, and perhaps to give the campaign greater foreign policy credibility.

But Mr Jackson is to the left of the party, notably on foreign policy issues. Resolving this, as well as other dilemmas presents the governor with major challenges.

Much will depend on Mr Jackson's own approach. Were he to demand the vice-presidency, as his delegate count suggests he could, few believe a winning party coalition could be constructed.

The next few weeks will be filled with intrigue as powerful party officials, including men like Senator Gore and Senator Simon who control the loyalties of blocks of convention delegates, try to shape the direction the party takes.

Stewart Fleming

A victorious Dukakis waves to supporters but the problems of leadership may already be looming

Prospect fades of necessity for a 'superdelegate fix'

FORGET, for a moment, the drama of the New York primary election. In Washington, a separate, less publicised ballot is being conducted this week which could play an equally important role in shaping the Democratic presidential race.

In campaign shorthand, it is labelled the Capitol Hill primary: the selection by their peers of 253 Democrat senators and members of the House of Representatives as delegates to the Democratic national convention in Atlanta in July which will choose the party's presidential nominee.

The House members and senators will be among a total of 646 free agents or "superdelegates", nominally unpledged to any candidate but numerically capable of pushing a front runner candidate within reach of the 2,082 delegate majority needed to capture the nomination.

Besides the congressmen the superdelegate total includes 362 members of the Democratic National Committee, 25 state governors who are not DNC members, as well as five elder statesman and party luminaries.

In recent weeks, the role of the superdelegates loomed large because of the failure of a convincing frontrunner to emerge. With Governor Michael Dukakis enjoying only a slender lead in delegates over the Rev Jesse Jackson, the role of an unpledged block of convention voters seemed pivotal, either in a "Stop Jackson" movement or in the search for a draft candidate such as Governor Mario Cuomo of New York.

Conventional wisdom suggests a rush into the Dukakis camp. The overwhelming urge in senior ranks is to unite behind a front runner

Mr Dukakis's victory in New York and the expected withdrawal of Senator Albert Gore of Tennessee from the race makes the prospect of a "superdelegate fix" more remote, if it was ever likely in the first place. Mr David Dreier, a senior aide to the House majority whip Mr Tony Coelho, is adamant that the nominee will emerge from the primaries. "The superdelegates are not going to be the power brokers that decide the nomination."

The superdelegate function was created after the 1980 election, the fourth time the Democrats had rewritten the party rules in 12 years in an effort to preserve earlier reforms, while at the same time restoring order to the nominating process and handing back some power back to the party regulars.

In the late 1960s and early 1970s, inspired by the future presidential candidate Mr George McGovern, Democrats attempted to open up their party, largely to take account of the civil rights movement and other liberal forces sweeping the country. The reforms may have ditched bossism, where party leaders of each state had complete control over who went to the convention, but they set up myriad provisions for minorities and special interests and ended up atomising the party.

Congressman David Price of North Carolina, staff director of the 1981 Hunt Commission which rewrote the delegate rules, said the nominating process in the 1970s removed from the selection of a Presidential candidate the very people who had to run with that candidate in the November presidential election.

The Hunt Commission reforms redress the balance. Mr Kevin Phillips, a Republican political consultant, describes the superdelegates as an injection of pragmatism.

Democrat officials describe them euphemistically as "stabilisers", or a bridge between grassroots activists and the state-houses, capable not just of influencing the nomination process but also the campaign platform and the choice of running mate.

So much for the theory, how will it now work out in practice? Conventional wisdom – which has proved horribly awry in the Democratic race to date – suggests that the Dukakis win in New York will dislodge blocks of superdelegates into his camp. The overwhelming urge among senior ranks is to unite behind a front runner.

Mr Dukakis is exploiting this mood, but he must be careful not to push too hard too quickly for endorsements. If the superdelegates stampede in his direction before the final primaries in California and New Jersey on June 7, Mr Jackson, still in the race and far from a spent force, will howl "Foul".

In contrast to 1984, when he expended much energy in criticising the election rules, Mr Jackson has been the model of restraint in 1988. His one criticism has focused on superdelegates which he says should reflect the popular vote.

While this argument flies in the face of the superdelegate function, it ensures that the Democratic establishment in Washington and Mr Dukakis will have to handle the superdelegate issue – like Mr Jackson himself – with maximum sensitivity.

Lionel Barber

Jackson disciples stick their pins in hated Koch

UNTIL their main man arrived, the one they loved to love, the 1,000-strong crowd at the Imperial Ballroom had a lot of fun with the one they love to hate – "his dishonour", the mayor of New York.

At every mention of Ed Koch on television screens around the cavernous hotel meeting room, the Rev Jesse Jackson's supporters, gathered for a victory celebration on primary night, broke into passionate booing and chants of "down with Koch".

Once, like a Jewish stand-up comedian, he had tried to distract the city as his administration turned slowly into one of the most incompetent and corrupt in decades. As the jokes wore thin, he tried bitterness and divisiveness instead which peaked this past week in his vitriolic attacks on Jackson.

Across the city, people had risen up angrily against the mayor for the way he had sold the city short to the world. "It was one of the lowest, vilest campaigns I've ever seen, one of the most shameful events in New York politics," said Suzanne Ross, co-head of Jewish Americans for Jesse Jackson, as she waited for her candidate to arrive in the ballroom.

"The mayor's choice of language exacerbated the racial tensions of this town," added Mr David Dinkins, president of Manhattan borough. From the television screens, Mr Koch admitted: "You're absolutely right. My attacks on Jesse Jackson have proved not to be helpful" – to Senator Albert Gore, the Democrat he supported.

The city's police said earlier in the day the number of bomb and shooting threats against Jackson had escalated alarmingly.

If any Jackson supporter had a macabre sense of foreboding, it must have been swamped by the ecstasy running through the crowd: Jackson, electrifying and unifying an ethnically diverse electorate. Few seemed depressed he had failed to win the state. His victory was his success in changing the face of New York City politics.

Over on the television, Gore graciously conceded second place in the primary to Jackson. "The Democratic Party is larger and the American people bigger for Jesse Jackson's campaign."

The black activist bounced on to the stage and insisted on lifting his audience up to a national vision

Jackson himself, his staff said, was in fact disappointed by his showing statewide. He cancelled a 9pm round of interviews with local television stations, apparently because he was trying to psyche himself up for his ballroom appearance.

Yet his achievement was considerable. He won more votes in the city than he had won in the whole state in the 1984 primary. Not only did he take 38 per cent of the vote across the state, he won New York City with some 6,000 votes more than Dukakis out of the 900,000 total.

Finally, the main man himself bounced on to the stage, surrounded by a phalanx of secret service men. "We won the multi-cultural capital of the world," Jackson declared, which was victory enough for the New York City audience whose pressing interests are local rather than state-wide. The huge and perhaps impossible task they face, however, is to keep the new coalition intact so they can wreak their revenge on Koch in next year's mayoral election.

But he insisted on lifting them up to a national vision. "What must a President do? He must make Americans better, not bitter. . . make history, not hysteria." To all those disadvantaged and distressed, he pledged: "We will not surrender the agenda." Later he added: "When I become President, they will have a friend in the White House."

"Win, Jesse, win!" the crowd chanted.

He may be running behind Dukakis in the upcoming primaries, but judging by his political performance in New York he will continue to accumulate delegates. His supporters can at least be sure of having a friend at the Democratic convention whose concerns and promises are shaping the nation's debate.

Later, as the crowd streamed out of the hotel, a street vendor was selling Jackson "Guess who's coming to dinner?" buttons. While the nation might not be ready for a black host in the White House, Koch has considerably increased the chances that a non-white will succeed him at Gracie Mansion.

Roderick Oram

Democrats set out economic policy stall

By Anthony Harris in Washington

US DEMOCRATS yesterday issued their final election-year answer to the Administration's rosy picture of the economy. The majority report of the Joint Economic Committee denounces the "legacy of experiment" as producing debt, rising inequality and inadequate investment, and outlines a Democratic economic platform.

This would involve a much more activist approach to America's trade partners, including:

- Effective measures to open world markets.
- A drive for burden-sharing on defence and economic aid, which might involve higher development aid from countries with low defence costs.
- Binding multilateral agreements on international economic policy co-ordination.
- A comprehensive rather than case-by-case approach to Third World debt, with a role for official finance in buying existing claims at a heavy discount and passing on the savings to debtors.
- A renewed drive for US energy self-sufficiency.
- Concerted efforts to re-open export markets for US farm products.

The farm trade drive appears to be the only important policy of the current Administration which the Democrats support, although they say that the Administration places excessive stress on farm as opposed to manufacturing trade in its drive to open foreign markets.

The report also calls for drastic changes in domestic policy. Top priority, as could be expected from earlier reports, goes to deficit reduction (largely, by implication, through higher taxes) to bring interest rates down, and higher education and infrastructure spending.

Monetary policy must stress not only low inflation and international credibility for the dollar, but sustained domestic growth with rising investment.

Tim Coone reports on the limited success of recent monetary reforms and looks at the problems ahead

Managua's economic planners win a breathing space

GOVERNMENT officials in Managua relate with glee how they caught black market speculators holding an estimated $6m in suddenly worthless banknotes last February - some 10 per cent of the total currency in circulation - but they also quietly admit that the recent monetary reform will not produce any magic recovery in the economy.

The reform introduced a new monetary unit, wiping three zeros off the old currency, re-established a unified exchange rate of 10 new cordobas to the dollar and brought about a major realignment of prices and incomes.

Just before the reform there were one trillion (a million million) cordobas in circulation or 330,000 per capita and the highest denomination note was 5000 cordobas. One revealing statistic is that Nicaragua imported 250 tons of bank notes in 1985 - one kilogram of notes for every 12 people, not including the notes already in circulation.

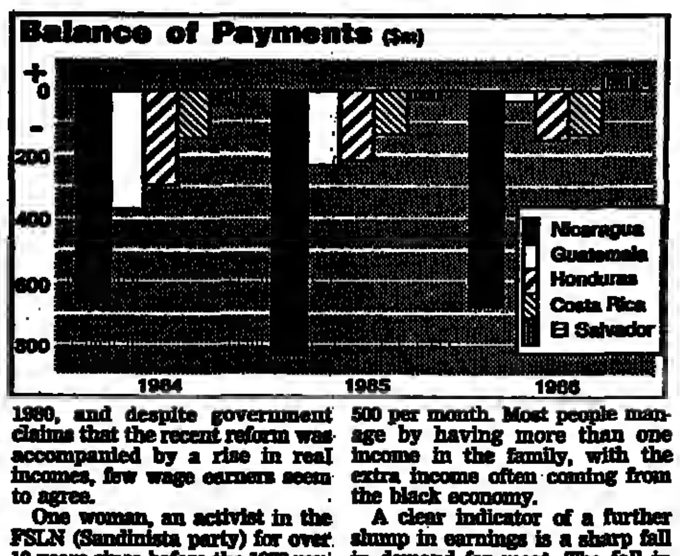
Two months later, the obvious successes of the reform have been to re-establish some confidence in the currency, not least by obviating the need to carry large bags of paper money about to attend to the simplest transactions. It also reduced a huge distortion in prices which had resulted partly from the multiple-tier exchange rate system which, at its extreme, valued imported petrol at 70 cordobas to the dollar, while many products available to the public were valued at parallel rates of up to 60,000 cordobas to the dollar.

The divergence of official and parallel exchange rates has now been reduced to a factor of seven rather than a thousand. Most significantly perhaps, the price realignment has also depressed demand closer to the supply capabilities of the war-ravaged economy.

Large price distortions nonetheless continue to defy government economic planners and are indicative of the impossibility of finding a lasting solution to the economic crisis without ending Nicaragua's six-and-half-year war with the Contras.

The price distortions have created some bizarre values - at the new official exchange rate a photocopied sheet of paper now costs $3.50 per copy, a plastic bucket $25, plastic bags $1 each, five pounds of maize in a supermarket $4.50, a crude wooden chair $30, a pair of shoes $200. A gallon of petrol now costs $1.50, a bottle of rum $10. The heavy speculative element inherent in some prices is obvious.

Fixed income earners have once again borne the brunt of price adjustments. Real incomes are widely estimated to have fallen by over 80 per cent since



1980, and despite government claims that the recent reform was accompanied by a rise in real incomes, few wage earners seem to agree.

One woman, an activist in the FSLN (Sandinista party) for over 10 years since before the 1979 revolution and a trade union representative who now holds a responsible printing job, said last week that she is seriously considering going back to cleaning floors for a living as her new wage level of cordobas 1,200 per month is simply insufficient to keep her and her two children.

"I earn less now than in January and how people on lower grades in the salary scale manage I just don't know," she said. The minimum wage is now cordobas 500 per month. Most people manage by having more than one income in the family, with the extra income often coming from the black economy.

A clear indicator of a further slump in earnings is a sharp fall in demand for meat. The fall in purchasing power has had a similar effect on many other products which were previously scarce, a change helped by a quiet abandonment of price control. Prices for 46 basic products have been fixed by the Government, but now appear to be indicative rather than statutory.

The real essence of the reform thus appears to have been to readjust prices in favour of producers at the expense of consumers and thereby stimulate output and create a potential export surplus.

But the private sector is still unhappy. Industrial and agricultural raw materials and inputs have become relatively more expensive with the unification of exchange rates, while the Government continues to control the marketing and hence the price of export products such as coffee and cotton.

Producers are warning that there may be a sharp drop in cotton plantings this year if the Government does not set new production incentives or use a higher exchange rate to calculate the price to producers. Although the Government has said there will be no special cases, already rice farmers have received a promise of subsidised bank credit.

Meanwhile the inflationary mechanisms at work are still very evident and the fiscal deficit is priming the inflationary pump. Government spending is in the region of 70 per cent of gross domestic product. Over 50 per cent of this is dedicated to defence and the deficit, amounting to 16 per cent of GDP, is financed almost entirely by printing money according to Mr Dionisio Marenco, one of the brains behind the February reform.

The high level of inflation (over 1200 per cent in 1987) accompanied by negative interest rates has resulted in current bank accounts shrinking to only 16 per cent of M1, the standard money supply measure, with cash in circulation accounting for the rest. Manipulation of the money supply through interest rates becomes meaningless in such circumstances, depriving the Government of an important tool to control economic activity.

The minimal amount of wealth kept in bank accounts also limits the Government's ability (through its control of the financial system) to direct savings to needed investments, requiring continued government intervention in the credit market through central bank rediscounts, to provide the necessary finance to both the private and public sector. This in turn helps to create further inflationary pressure.

The inflationary cycle caused by the war, the fiscal deficit, rapid growth in money supply, the lack of savings and gradual growth in production and consumer subsidies to compensate for price distortions, has not been broken by the monetary reform, a fact recognised by Mr Marenco. "But it has created a breathing space," he said. "Although inflation will shoot up again to 300 or 400 per cent this year, it will take maybe three to four years before we are in the same situation as we were in January. If only for that it has been worth it."

US consumer prices rise 0.5%

THE US Government yesterday said that consumer prices rose 0.5 per cent in March after increasing 0.2 per cent in February, adding to concern about accelerating inflation, Reuter reports from Washington.

The rise followed last Friday's news that wholesale prices level climbed 0.6 per cent last month.

The Labour Department said half of the increase in consumer prices reflected higher costs for clothes, food and transport.

The rise in consumer prices was the largest since January 1987. In the first three months of the year, inflation at the retail level ran at a 4.2 per cent rate.

The acceleration in consumer prices in March was likely to fuel speculation that the Federal Reserve would tighten its grip on credit to prevent greater inflationary pressures.

Fear of a more restrictive central bank policy boosted long-term interest rates on Monday and Tuesday to over 9 per cent, the highest level of the year.

The dilemma for the Fed is that it must keep interest rates high enough to quell inflation but sufficiently low to sustain the economic expansion.

Excluding the volatile components of food and energy, consumer prices rose an even stronger 0.6 per cent in March as shelter, medical and entertainment costs continued to rise, the Labour Department said.

Housing costs increased 0.3 per cent. By contrast, fuel and utility prices fell 0.2 per cent in March, following a 0.5 per cent increase in February, and maintenance and repair costs dropped 0.9 per cent.

Clothing and upkeep costs jumped 2.0 per cent in March after a 0.3 per cent decline in February. They were 4.2 per cent higher than in March 1987.

On Wall Street the interest rate on 30-year government bonds rose to 9.08 per cent from 9.05 per cent at Tuesday's close.

Justice post blow for Meese

BY LIONEL BARBER IN WASHINGTON

MR EDWIN MEESE, the embattled US Attorney General, faces further problems in his search for candidates to replace two senior Justice Department officials who resigned over his legal difficulties. Mr Meese's current first choice for deputy attorney general, Mr John Shepherd, a former president of the American Bar Association, has withdrawn citing unwelcome publicity over his nomination.

Mr Shepherd was due to replace Mr Arnold Burns, who along with the head of the Justice Department's criminal division, Mr William Weld, and four of their aides, resigned three weeks ago.

In a separate development, three more aides to Mr Burns resigned on Monday, apparently rejecting pleas by Mr Meese to stay in their posts in the department's interests.

The latest resignations and Mr Shepherd's withdrawal have undermined Mr Meese's attempt to fill the management vacuum at the department.

The White House withheld endorsement of Mr Shepherd until the FBI completed background checks. The same caution applied to another Meese nominee, Mr Francis Keating, assistant Treasury Secretary who is due to become associate attorney general in charge of anti-trust.

The Washington Post reported yesterday that Mr Meese's close friend Mr Bob Wallach recommended Mr Shepherd for a job when Mr Meese first joined the Justice Department in late 1984. Mr Wallach has been indicted on influence-peddling charges relating to the scandal wracked New York City defence contractor, the Wedtech Corporation.

Venezuela delays electoral reforms

By Joe Mann in Caracas

VENEZUELA has delayed introducing a series of important election reforms despite strong recommendations from a special presidential commission. The Supreme Electoral Council, an independent, multi-party organisation that oversees all major elections in Venezuela, said that it was too late to put through any significant reforms this year.

The delay is a setback for groups attempting to make Venezuela's political system more open and democratic. Calls for voting reform have been made for years in Venezuela, and the current proposals have been the centre of an intense national debate. However, many politicians are reluctant to allow changes that would make the system more democratic.

The reforms, which have been sought for several years, will not be implemented in time for Venezuela's national elections, scheduled for December 4 this year. Voters will choose a new president, as well as members of the national congress and state assemblies, for five year terms.

Copre, the Presidential Commission on State Reform, presented a series of recommended voting reforms to political parties in early 1986. These reforms, which would radically change the way Venezuelans choose their political leaders, included direct nominal elections of members of congress, state assemblies, and city councils, as well as direct elections of mayors and state governors.

Under the current system, Venezuelans vote directly only for president. Members of parliament and city councils are chosen by voting for slates of candidates which are drawn up by the leadership of each political party. The president chooses state governors and there are no mayors.

- Four violent clashes have occurred over the last few days between Colombian guerrillas and Venezuelan soldiers patrolling the border between the two countries, according to reports in Caracas.

Norwegians plan oil rig facility for Scotland

BY KAREN FOSSLI IN OSLO AND JAMES BUXTON IN EDINBURGH

NORWEGIAN Contractors, a Norwegian offshore construction company, plans to establish a facility in Scotland to build concrete platforms for the oil and gas industry.

The group expects to choose between two shortlisted sites next week.

The news is encouraging for the Scottish offshore fabrication industry, which has been in drastic decline for the past two years. It follows the announcement earlier this week that Kvaerner Industrier is negotiating to buy British Shipbuilders' yard at Govan on the Clyde.

A team from Norwegian Contractors, a subsidiary of Aker Norcem, Norway's largest private industrial group, has recently visited fabrication yards in Scotland. Mr Frode Geitvik, a company spokesman, said yesterday that two yards, Ardyne Point on the Clyde and Kishorn in north-west Scotland, had been shortlisted.

Kishorn yard was the most likely choice, he said.

Both yards are currently in care and maintenance. Kishorn was formerly operated by Howard Doris but went into receivership in September 1986 and completed its last contract during 1987. Ardyne Point belongs to Sir Robert McAlpine and Sons, and has built nothing since the 1970s.

Norwegian Contractors would either lease or buy the chosen yard, but details have yet to be worked out and negotiations held with the chosen yard's owners.

Other civil engineering companies had expressed interest in taking over the facility.

Norwegian Contractors would either build parts of the concrete platform substructure or construct the entire substructure in Scotland, then tow it to a deep Norwegian fjord where it could be mated with a platform deck.

Mr Geitvik said that even with towing costs added, it would still be cheaper to build the platforms outside Norway.

FT journalist wins award

JANET BUSH of the Financial Times has been named best junior financial journalist of the year in the Harold Wincott financial journalism awards for 1987 announced yesterday. The award is worth £800.

Best business paper of the year is Business, the monthly magazine owned jointly by Conde Nast and the Financial Times and edited by Mr Stephen Fay.

Mr Clive Crook of the Economist has won the senior financial journalist of the year award and a prize of £1,500.

There is a special award for Mr Robert Head, City Editor of the Daily Mirror, for the innovative coverage of money affairs he has developed.

The awards were presented in the London yesterday by Mrs Joyce Wincott, widow of Mr Harold Wincott. They commemmorate the work of the former financial commentator.

SURVEY FINDS SALARIES FOR WOMEN OUTPACE MEN

Managers' salaries rise 10%

BY MICHAEL SKAPINKER

BRITAIN's managers and directors have seen their pay rise by an average 9.9 per cent over the past year, according to a survey published yesterday by the British Institute of Management and Remuneration Economics.

The average British manager now has an annual salary of £22,540. The average annual salary for directors is £49,771, up 11.9 per cent on last year.

Taking account of reductions in tax and national insurance, the average net income of directors and managers combined rose by 10.7 per cent last year.

The survey of 22,201 managers and directors in 392 companies found that women managers' pay rose faster than that of their male colleagues, by 11.3 per cent over the past year to £17,984.

Managers in small businesses – those with a turnover of less than £20m – did not fared as well as their colleagues in large companies. Over the past year, their average earnings increased by 7.8 per cent to £18,508.

MEDIAN TOTAL ANNUAL EARNINGS (£)	
Chief executive	55,000
Deputy chief executive	50,000
Other directors	38,834
Senior management I	22,435
Senior management II	20,516
Middle management I	17,638
Middle management II	16,450

The survey found that Britain's best-paid managers worked in banking, finance, insurance and business services. Managers in these sectors earned 24 per cent more than the national average.

The worst-paid managers were in the textiles, leather, clothing and footwear industries, where they earned 26.3 per cent less than the average.

The survey showed a fall in the average time managers and directors had been with their companies. The number of those with their company for more than 30 years fell by almost a third since 1985.

The survey found that a significant reason for this was that an increasing number of companies had reduced their retirement age. Of the managers and directors surveyed, 32.6 per cent were employed by companies with a compulsory retirement age of 63 or younger. In 1987, the proportion was 27.3 per cent.

The number of managers and directors with company cars increased to 70.4 per cent from 68.3 per cent in 1987. Middle managers in smaller companies, however, were less likely to have company cars than in 1987. Only 29.8 per cent of these managers had company cars, compared to 35.7 per cent a year ago.

Companies were also found to be giving their managers longer holidays. The survey said that 85.7 per cent of managers received five weeks' holiday, compared to 82.4 per cent a year ago.

Cellophane jobs go as worldwide sales slip

By Alice Rawsthorn

A DECLINE in the world demand for Cellophane and the uncompetitive sterling exchange rate have forced Courtaulds, the textiles and chemicals group, to cut jobs at its Cellophane packaging plant in Somerset, in the west of England.

The group has decided that the plant's cost base must be reduced if it is to remain competitive.

As a result, capacity will fall from 22,500 tonnes to 18,000 tonnes a year and 340 jobs will be lost from the workforce of 1,780.

Mr Brian Toomey, a divisional director of Courtaulds which leads the world Cellophane market, said that the reduction in output combined with the reorganisation of the remaining plant should boost productivity by 25 per cent.

The international market for Cellophane – which is used to wrap chocolate bars and fragrances – has declined by 12 per cent a year for the past decade, according to Courtaulds.

The reason for this fall is the emergence of new packaging products

Mr Toomey said that this problem had been compounded by the recent rise of the pound which had made the Cellophane produced in the UK less competitive in the world market. Courtaulds exports 80 per cent of its Cellophane.

He said that the exchange rate had proved particularly difficult from the beginning of the year.

India accounts for largest share of debts to Britain

BY RALPH ATKINS

INDIA accounted for the largest share of official debts outstanding to the UK in 1986.

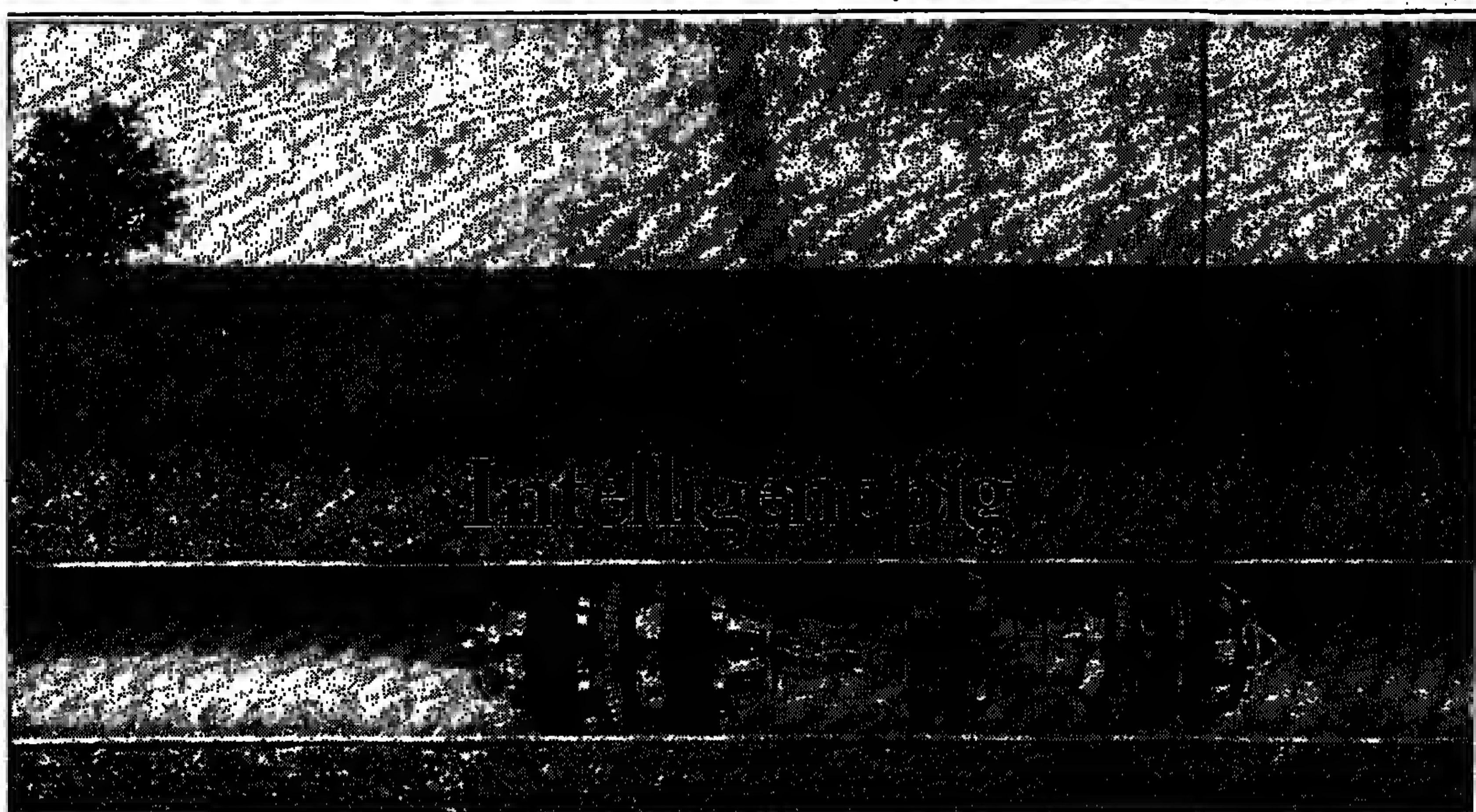
The amount outstanding totalled £264.2m – but this was almost half the £519.1m outstanding by India at the end of 1978.

The figures, presented in a parliamentary written answer, cover amounts outstanding to the Overseas Development Administration and the Commonwealth Development Corporation.

The second biggest borrower was Zambia which, at the end of 1986, had debts of £97.3m outstanding compared with £49.9m in 1978.

Countries notable for making significant cuts to their outstanding debts with the UK included Uganda where the total fell from £19.1m in 1978 to £3.3m in 1986. In the same period Nigeria cut its UK debts from £34.4m to £12.0m.

Montserrat also saw a large fall in its debts outstanding to the UK – at least in percentage terms. In 1978 it owed the UK about £87,000 but in 1986 this had fallen to just £3,000.



Three clearing banks set up joint debit card

BY RICHARD WATERS

THREE of Britain's top five clearing banks yesterday announced the launch of a joint debit card system this autumn which will compete with cards already produced by Barclays and planned by Lloyds, the other two leading clearers.

The joint launch of the Switch debit card system, by National Westminster, Midland and Royal Bank of Scotland, establishes clear battle lines in the war over debit cards. The cards are designed to reduce costs for banks and retailers by debiting a customer's account automatically.

Barclays and Lloyds have put themselves under the Visa umbrella, with Barclays acting as agent for the cards of both banks.

The three Switch banks say they expect to have 10m cardholders by the middle of next year. Barclays' Connect card, on the other hand, has already attracted more that 1m holders in the nine months since its launch.

The automation of transaction payments should enable costs to fall substantially, although it will be some time before the necessary in-shop terminals are in place.

A combined system to accept all debit cards is being devised by Eftpos UK, a joint venture of all the major banks, and will be launched next year.

The banks say the cost benefits will not be felt for several years as they will bear considerable start-up costs and will continue to face the fixed costs of the cheque clearing system. The banks are launching their cards early to establish a position in the market.

Cards in the Switch system will act like a normal cheque guarantee card in shops which do not have the machines to handle automatic debits.

The joint launch of Switch, undertaken after discussion with retailers, is likely to escape most of the controversy surrounding the launch of Connect and Vector, an earlier Midland card.

Barclays originally planned to charge retailers a percentage of each transaction using Connect, much as it charges for credit card transactions, but changed to a fixed charge for each transaction after a storm of protest from retailers. Midland withdrew the Vector card last summer, a month after its launch, because it feared a boycott by retailers.

KINNOCK ACTS TO STAMP OUT ROWDYISM IN PARLIAMENT

Rebel MP disciplined by party

BY MICHAEL CASSELL, PARLIAMENTARY CORRESPONDENT

LABOUR LEADERS last night acted to stem mounting indiscipline among the party's MPs in the House of Commons.

They are recommending a three-month withdrawal of party managerial duties at Westminster from Mr Ron Brown, the MP who damaged the Commons Mace – the ancient symbol of parliamentary authority – in a Commons protest earlier this week.

Mr Brown threw the mace to the floor after angry scenes on Monday night. MPs had been debating the Government's controversial social security proposals.

The unanimous decision by party leaders, the first of its kind for more than 20 years, came hours before Mr Brown, the MP for Leith, faced a Commons debate on a motion calling for his suspension for 20 working days. The motion was agreed by Conservative and Labour whips (party managers).

Some Conservative MPs were planning to maximise Labour's embarrassment by calling for a lengthier suspension for Mr Brown and for the withdrawal of his parliamentary salary.

The Labour recommendation has to be confirmed by members of the parliamentary Labour party, who must first give Mr Brown the chance to defend his actions to them. That opportunity will be denied him until after the end of any suspension imposed by MPs.

Withdrawal of the whip, regarded as the ultimate sanction available to the party leadership for use against rebel MPs, would ban Mr Brown from meetings of the parliamentary party.

The decision would also prevent him from sitting on Commons committees and would remove support services provided at the Commons by the Labour Party.

Yesterday's action,which follows a series of rowdy scenes and subsequent suspensions on the Labour benches, mainly involving left-wing supporters, reflects the party's mounting anger at the behaviour of a small but vociferous group of MPs.

Mr Neil Kinnock, the Labour leader, and his colleagues are particularly annoyed that the scenes in the Commons have detracted from the party's recent successes in attacking a series of controverial government measures, including the social security changes and the community charge proposals.

Ron Brown: ultimate sanction

British Coal to shed 2,000 white collar jobs as losses loom

BY MAURICE SAMUELSON

BRITISH COAL is expected to shed about 2,000 regional managers and office staff next year in a reorganisation designed to reflect the contraction in its number of coal mines.

The shakeup was announced on Tuesday to senior officials of the industry, who were also informed that although the Corporation still hopes to break even this year, its losses for 1987-88 are likely to reach an alarming £500m, nearly double the previous year's level.

Some £200m of the losses will be offset by a deficit grant recently authorised by the Government, leaving a bottom line loss of some £300m.

This will be far higher than the level predicted a year ago and reflects continuing pressure on coal prices, terminal depreciation costs of closing a higher than expected number of collieries and about £100m which the Corporation claims was lost by industrial action.

Nevertheless, with productivity rising to further records and with no new collieries expected to shut this year, the Corporation is sticking to its target of breaking even in the current financial year.

The 1987-88 losses, however, are believed to have dictated the timing of the regional reorganisation. Under its terms four of its eight geographical production areas – South Wales, Scotland, the North East and Western area – will next year be downgraded to the status of "groups", some of whose non-production functions will in future be handled centrally rather than locally.

This will leave the Corporation with only four fully fledged production areas: North and South Yorkshire, Nottinghamshire and the Central Area.

Mr Alan Wilson, general secretary of the 10,000-strong British Association of Colliery Managers, yesterday put a brave face on the changes, calling them "a logical step."

Although it would cost about 10 per cent of management jobs, this still represented a slackening in the rate of redundancies experienced in the past two years. The impact would also be cushioned by the assurance that there would be no compulsory redundancies.

Of the 2,000 regional job losses, about half would be from management, with the rest from technical, secretarial or clerical staff.

Last year, the Corporation shut 16 collieries and its overall workforce dropped by 23,000 to the present 118,000.

Feeders of world markets rewarded

A BRITISH company that provides prosciutto ham for the Italian market, another that packages Japanese-made compasses and sells them to the Japanese and a fish company with a brisk trade in feeding French and Australians with their favourite shellfish are among 102 companies honoured today for their role in influencing the UK balance of payments.

The three companies – Cotswold Pig Development Company of Lincoln, BCB International of Cardiff, and Fastnet Fish of Grimsby, south Humberside – each collect a 1988 Queen's award for export achievement.

The number of export winners this year is slightly down on 1987 and 1986, despite some 20,000 application forms being sent to hopeful companies. One company won an export award on its 16th attempt.

A record 43 companies, however, have gained the Queen's Award for technological achievement. Twelve, again a record, picked up both that award and the export award.

The export winners, which have to demonstrate consistent outstanding growth in overseas earnings over a three-year period, include Baring Securities, the first stockbroker to be honoured.

Its remarkable growth has not been halted by the October stock market crash. Mr Christopher Heath, the 41-year-old chairman renowned as the highest paid executive in Britain when he earned £2.5m in 1986, says staff worldwide has grown by 20 per cent since the crash.

Heavy industry makes a strong showing this year with 15 export winners. High technology companies also did well.

Details, Pages 12 and 13

Seamen, P&O meet in bid to end strike

BY JIMMY BURNS, LABOUR STAFF

P&O European Ferries and the National Union of Seamen were meeting last night in a last-ditched effort to agree to end their 11-week-old dispute after the company claimed that 900 out of 2,200 striking seamen based in Dover seamen had accepted its proposals for new working conditions.

The surprise meeting – the first between the two sides in more than five weeks – involved senior and local NUS officials and P&O's Dover-based management.

It is believed to have been hastily arranged after secret talks between Sir Jeffrey Sterling, P&O's chairman and Mr John Prescott, the NUS's sponsored member of Parliament who is acting as unofficial broker in the dispute.

Both men are believed to have concluded that both sides could work towards a settlement which would avoid a potentially highly controversial challenge to the union.

Before last night's meeting the company announced its firm intention to put its ships back to sea after the expiry of a 6pm deadline for acceptance of the new terms. These include 362 redundancies, new shift patterns, and a much simplified salary structure.

NUS strike leaders, who have rejected the terms, meanwhile claimed company's figures to be exaggerated and that most P&O members remained on strike.

Mr Colin Bennett, the union's Dover branch secretary said: "The company is trying to use false propaganda to get the men back to work. But they're not going to be able to get their ships out without us."

The dispute thus appeared to be moving towards a situation next week in which P&O could become the first major British ferry company formally to break with long-standing industrial links with the NUS.

P&O indicated, however, that it did not consider de-recognition of the NUS as inevitable. "We feel that the NUS can still play a constructive and very positive role," one senior P&O executive said last night.

P&O last night howoever described the meeting as clarification and not a negotiation.

HIGHER PERSONAL INCOMES GENERATE INCREASED SALES

Scots business sustains rising trend

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

BUSINESSSMEN in Scotland are still bullish about short-term prospects for the Scottish economy, according to the latest quarterly survey of business opinion.

The Stock Exchange crash has had negligible effect on Scotland, while the recent rise in sterling has not yet had an adverse effect on export performance.

The Scottish Chambers Business Survey, conducted by the Fraser of Allander Institute, shows that companies in all sectors except construction received more orders and made higher sales during the first quarter of 1988.

All sectors, including construction, expect increased demand in the next three months. Employment has risen and companies expect it to increase further during the next quarter.

The most optimistic sectors are retailing and wholesaling where rising personal incomes are producing increased sales. In manufacturing, companies are showing confidence as a result of higher orders from consumers, strong investment spending by other companies and sustained growth in exports.

But although companies in the construction sector are positive about the future, their confidence is not based on new orders or on work in progress, both of which fell in the first quarter of the year.

The survey, carried out between March 7 and April 6 by the Chambers of Commerce of Glasgow, Edinburgh, Dundee and Aberdeen, suggests that supply bottlenecks may be emerging in retailing, wholesaling and construction.

In the distribution trades some companies say that insufficient floorspace and stock shortages will be a constraint on development over the next three months.

Mr Iain Lang, the Scottish Industry Minister, yesterday welcomed the survey. He said that although the decision of Ford not to proceed with its Dundee electronics components plant had "cast an air of gloom about the Scottish economy," the survey suggested that it was unfounded.

Industry 'to blame for skill shortages'

BY OUR LABOUR CORRESPONDENT

SKILL SHORTAGES in the UK electronics industry have been more persistent than in competitor countries largely because British electronics companies have been much slower than their counterparts to respond with developed training programmes, according to the preliminary findings of a report prepared by the National Economic Development Office.

The report covers skills shortages, graduate supply, and company training in Britain, and six other major OECD economies including Japan, the US and West Germany.

Most initiatives to tackle electronics skill shortages in the UK have come from the public sector, the report says. It concludes: "Corporate responses have fallen a long way behind our principal competitors and have generally been limited in scale."

It says skills shortages have been much more acute in France and West Germany, but have been met by swift and more effective responses.

ICL plans to invest £125m in training

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

ICL, the UK computer manufacturer, plans to invest more than £125m over the next five years in training, to provide an average of 10 days training a year for its 20,000 employees, Mr Peter Bonfield, the company's chairman disclosed yesterday.

Mr Bonfield, speaking at a seminar on information technology skill shortages organised by MSF, the general technical union, said the company's investment in training had risen from about £7m a year in the early 1980s to about £23m last year. This was equivalent to 1.75 per cent of the company's revenue, and provided an average of eight days' training for each employee last year.

The company spends about 6 per cent of its annual revenue on investment in plant and equipment, Mr Bonfield said.

Although few other British companies disclose the scale of their spending on training, the ICL programme is thought to be one of the most rigorous recently undertaken by a British company.

Mr Bonfield said he estimated the level of the company's spending was twice that of comparable British companies, about the same as US competitors but still only about half the investment of Japanese manufacturers.

Mr Bonfield identified several key elements of ICL's training strategy.

- Training was integrated into overall corporate strategy, inlcuding general business awareness, quality assurance and personnel appraisal systems.
- Managers at ICL were not allowed to cut spending on training in the event of an unexpected business dowturn.
- Employees were made aware that they should expect an average of about eight days training and are encouraged to press managers to deliver this.

Mr Bonfield said he would consider whether an entitlement to training should be included in contracts of employment, or at least outlined to recruits during their induction.

ICL sales staff are disqualified from special annual performance related bonuses unless thay have completed their alloted training programmes.

MANAGEMENT: Marketing and Advertising

Upjohn combs a way through advertising regulations

Tony Thompson explains how N American consumers are being reached through their doctors

ETHICAL DRUG companies in North America have found a way through the regulatory maze which muzzles the promotion of their products to the public.

First, advertise the problem; then direct consumers to their doctors for the mysterious magic bullet. The name of the remedy is a secret between the doctors and the drug company, which will have blitzed the medical profession with information about the product.

Merrell Dow Pharmaceuticals was the first to follow this novel route. Last Christmas in both the US and Canada saw national TV messages aimed at smokers who wanted to give up the habit. Neither the name of the company nor the product was mentioned, but as Merrell Dow markets Nicorette, the Swedish prescription drug that helps smokers quit, any approach by a smoker to his or her doctor might well have led to Nicorette being prescribed.

Now, Upjohn, another US pharmaceuticals company, has just started using the same tactic to boost the sales of Rogaine to Canadians with balding pates. The simple message in the C$1m plus print, poster and TV campaign is "If you're facing baldness, talk to your doctor." No names, no pack drill.

Since the Upjohn drug is the only prescription treatment available, and the company has made sure the profession knows all about Rogaine, doctors will have only one answer for those patients who have seen the ads.

Fellow sufferers south of the border are expected to receive similar treatment if the US Federal Drug Agency approves the use of Rogaine.

No such publicity will materialise in the UK, however, following the clearance this week by the Committee on Safety of Medicines of Rogaine as a prescription-only treatment.

A spokesman for Upjohn in the UK pointed out yesterday that under the Association of the British Pharmaceutical Industry Code, companies "can't promote prescription-only products to the public in Britain." Upjohn will, though, be promoting the product to the medical profession by placing ads in the specialist press. And whenever someone is prescribed the treatment, he will find included in the prescription package a leaflet giving information about the product.

In Canada, meanwhile, medical practitioners – who are paid on a "per patient visit" basis under the various provincial health care plans – have no objections to the promotions now appearing for Rogaine and Nicorette.

"It's good medicine to 'talk to your doctor'," says Dr John Fay, chairman of the Ontario Medical Association's medical practice and care committee. "Despite all the promotion to the public and the profession, it is the doctor who will make the decision on whether a particular remedy is right for individual patients."

The ads are appearing on national TV, except for stations on the state-owned Canadian Broadcast Commission's network. Under CBC advertising acceptance rules, the sponsor's or product name must appear on commercial mesages. (CBC did show the Nicorette commercials, because these were "sponsored" by a body called Physicians for a Smoke-Free Canada.)

But Canada's private stations have no such qualms and are airing the commercials during the three-month campaign, which will be repeated in the autumn.

The promotion plan began last summer, shortly after the Canadian government approved Rogaine, Upjohn's trade mark for the drug minoxidil.

The company began blitzing the profession with promotions about the product. The ads and direct mail were approved by Canada's Pharmaceutical Advertising Advisory Board, which monitors promotions aimed at health care professionals.

The company is running two types of ad in the medical press. One is copy under the heading, "The first prescription medication proven effective for male pattern baldness," followed by technical details. The other is a double-page spread similar in layout to those aimed at the public. These are headlined: "When hair loss turns against your patient – your patient knows he can turn to you."

The trade name Rogaine is prominently mentioned above the Upjohn logo in medical press advertising. But with neither appearing in public messages, there is very little, if anything, to object to.

(Rogaine's origins are to be found in another Upjohn product, Loniten. This was a remedy for obstinate cases of hypertension, but it was withdrawn five years ago following consistent reports that the active ingredient, minoxidil, had a side-effect – it caused excessive hair growth.)

However, Upjohn's promotional efforts have not gone totally uncontested. Frans Leenen, an associate professor of chemistry at the University of Toronto, claims the drug may actually be harmful.

Richard Hoy, marketing planning manager for the Upjohn Company of Canada, says the company disagrees with the professor's claims, but is looking into his research data.

The Upjohn promotion has embarrassed the Pharmaceutical Manufacturers Association of Canada. Earlier last month the PMAC unveiled its new marketing code for members, but had to admit it did not cover marketing gambits that mentioned neither product nor marketer.

If you are facing baldness

you should know the facts.

If you are facing baldness, talk to your doctor.

Upjohn's advertising in the press and on TV in Canada mentions neither its name nor its product – but a doctor has only Upjohn's Rogaine to turn to as an approved prescription product for restoring hair growth

Forming a picture of camera-buyers

BY DAVID CHURCHILL

BRITONS ARE set to become increasingly snap-happy in the late 1980s as the UK camera market – valued at £153m at retail prices – shows its first real growth for several years.

Such optimism largely rests with consumer tastes moving away from "instant" cameras, first popular a decade ago, and towards more sophisticated 35mm compact cameras.

Sales of these cameras, according to a report from the Market Assessment company into the photographic market out this week*, have shown "quite explosive growth in recent years".

Compact 35mm cameras are defined as non-reflex cameras, which means that the picture seen in the viewfinder is independent of the lens.

The popularity of compacts has developed as a result of consumer disenchantment with the quality of the photographs taken with the small-frame 110 film format used in "instant" cameras.

The larger frame 35mm film gives greater picture definition, but SLR cameras, which use that type of film, have never proved popular with ordinary consumers since they are perceived as too complex for the sort of "happy-go-lucky" snaps that most people want to take.

New technology such as auto-focusing, however, has made compact 35mm cameras almost as simple to use as the "instant" cameras of a decade ago.

Moreover, it is easier to load 35mm films in compact cameras than it used to be thanks to developments made by Japanese camera manufacturers.

The popularity of compact cameras is important to the photographic trade because the value of the camera market, after adjusting for inflation, has been almost static since 1984. Market Assessment's special index of the compound annual growth rate for cameras in real terms, with 1982 as the base year of 100, reached 109 in 1984 but only moved up to 110 by 1987.

Static sales are partly the result of poorer-than-expected demand for more expensive SLR cameras. Instead, consumers have switched from 110 (and, to a limited degree, from SLR format) cameras to compact models.

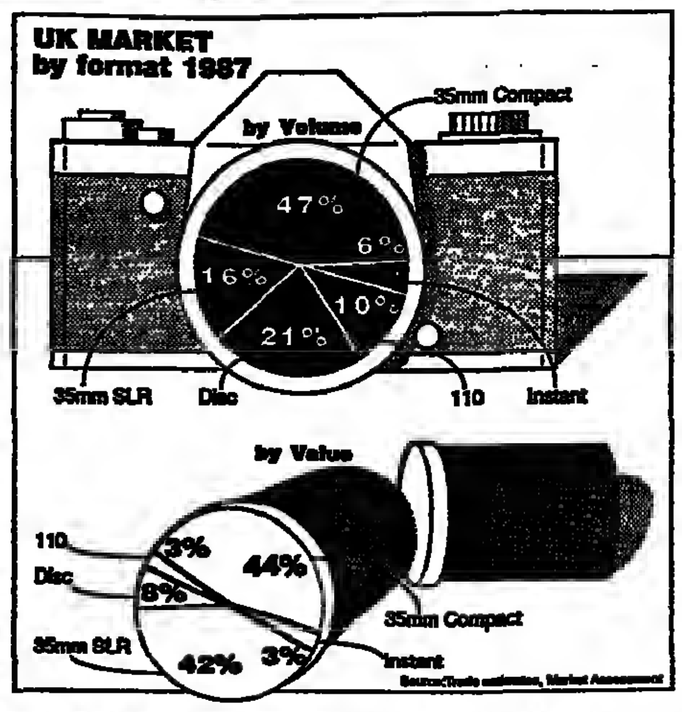
In addition, fierce competition to gain a foothold in the compact market – dominated by Olympus and Canon with Pentax and a clutch of other Japanese companies – has kept prices low.

Market Assessment suggests, however, that the camera market is now set to show some real value growth. "Within the next five years, autofocus SLRs can be expected to gain market share, while 35mm compacts will continue their rise chiefly at the expense of 110 and disc cameras."

But in the longer term, Market Assessment believes that the future for still photography is tied up with new market developments. "The video and still photography markets are likely to cross over," it points out. "Photographs, whether prints or slides, can already be transposed onto video tape for home viewing, while magnetic disc cameras, which can relay still images onto TV screens, are already in use in the commercial sector."

But the launch of these magnetic disc systems into the consumer market is currently held back by high production costs and is unlikely to occur on a major scale until the mid-1990s.

The Photography Market. Market Assessment, 2 Duncan Terrace, London N1 8BZ. £220.



A quintessential Englishman emanating from Scotland

THERE ARE plenty of opportunities in retailing, according to Mark Goldberg, chairman of the Glasgow-based store group of the same name. "Just ask the customers what they want," he says.

In recent years Goldberg has had some success in doing that. The group, founded by Goldberg's grandfather, Abraham, soon after he arrived from Poland in the early 1900s, was originally a "warehouse" operation. This peculiarly Scottish form of retailing involving discounts and credit had gone out of fashion by the early 1960s. Changes had to be made, and during the 1970s they slowly were. Now the stores concentrate on clothing and footwear for women and children.

In the 1980s the group began looking for vacant market niches. The first new idea was Wrygges – a fashion chain for young women at the cheaper end of the market. That was followed by Wrygges Man, which started as an adjunct to the women's shops aimed at bored boyfriends.

Last year Goldberg bought into a four-shop footwear retailer called Schuh, which is being expanded rapidly – there are now over 20. All three chains are, Goldberg believes, complementary.

At present Goldberg is particularly keen to find new niches to use the total of over £10m it has raised from selling its credit card operation in the Royal Bank of Scotland – a tidy sum for a group capitalised at around £33m.

Goldberg decided that the company was not big enough to finance the expansion of both the credit card and retailing so a choice had to be made. The sale means that the credit card's profit contribution, which will have been about £1m in 1987-88, will vanish in the financial year just begun.

So once again Goldberg has been asking what his customers want. The answer was good quality men's shirts at reasonable prices.

There is a gap, he argues, for something between Jermyn Street–type prices of £60 and upwards, and Marks and Spencer's under £20 prices.

Goldberg has just opened the first few of what he hopes will be a chain of small shops, each of about 1,000 square feet, which will do for shirts what Sock Shop and Tie Rack have done for their segments of the market. Four basic ranges of shirts will be stocked, designed for work or casualwear. The shops will also sell ties, cuff-links, watches and other male accoutrements.

What the retailer is also attempting to offer is a little mystique. The shops are called Ted Baker, and Goldberg is trying to build a legend around this figure.

Although most of Goldberg's shops are still in Scotland with a few in the north of England, four of the five Ted Baker shops are in England. According to Goldberg, Ted Baker is English – the archetypal clean-cut Englishman who used to populate strip cartoons. He is a war hero, an intrepid aviator, all-round sportsman, and attracts the most beautiful women. Ted, the story goes, often took a drink with Ernest Hemingway in Harry's Bar. Most of all, Ted is the sort of chap who wears the "right" shirts.

There is nothing unusual in using hero-worship, of real or imaginary people, to sell products. But though many retail chains, such as Laura Ashley, carry a person's name and have a distinct image, Ted Baker is rare in playing up a personal character behind the name.

Goldberg has yet to see whether customers are turned on or off by the idea. But the marketing ploy which may bring them in will be a laundry service for its shirts, with the first wash free.

Maggie Urry

1988

The Queen's Awards
FOR EXPORTS AND TECHNOLOGY

Winning company built on the effects of Dr Brown's Victorian nostrum

BY FIONA McEWAN

A VICTORIAN customer of the company that was to become BCB International of Cardiff professed himself well-pleased with its product – in those days a nostrum known as Dr Brown's Cough Bottle.

"My wife suffered from a dreadful cough. It was impossible to sleep with her. Since taking only one bottle of your cough cure she is so much better that anyone can sleep with her," he wrote.

On such unpromising material, a serious export business has been built. Now a manufacturer of survival equipment for outdoor leisure pursuits, BCB International joins 101 other British-based companies this year to claim a Queen's export award.

Seventy-two of the companies have never won a Queen's Award before. Sixty-one awards go to companies employing fewer than 200 people, including 31 companies with fewer than 50 employees.

A record 12 companies win a double accolade for both export and technology achievement.

Among financially oriented winners is Wardley Export Finance, a unit of the Hongkong Bank group, whose award reflects its financial assistance to exporters of capital goods.

Ironically it comes as the Wardley team is poised for transfer to the Midland Bank in which Hongkong Bank has a 14.9 per cent stake.

This will be one of the first transfers of a specialist unit between the two organisations and means that Wardley Export Finance will no longer function under its own name.

The Lafferty Group, a small financial, publishing, conference and research company founded by Mr Michael Lafferty, formerly Financial Times banking correspondent, is another winner. Founded in 1981, the company offers specialist information for the financial services industry. Overseas earnings have nearly trebled in the last three years. With some 20,000 customers worldwide, the main markets are Europe, Australasia and North America.

Heavy industry has fared well this year with 15 winners. The Hatfield unit of the civil aircraft division of British Aerospace, producer of the BAe 146 jet airliner, completes a hat trick of export awards with this year's win. Of a firm order book of 114 aircraft, all but about a dozen are destined for export markets.

This is one of the largest companies to win an export award, involving about 8,000 jobs. One of its biggest customers, TNT, the Australian transport group, has said it wants to buy all-cargo versions of the 146, which could total some 72 planes.

In Scotland, whisky makers, shortbread producers, railway operators and surgical equipment makers take honours.

The Great Scottish and Western Railway Company, headquartered in London, which operates luxury rail tours around Scotland, has found that some 700 American tourists each year will part with £2,600 for its inclusive six-day holidays.

In the highly competitive world of vascular graft expertise, the Vascutek Division of Coats Viyella Medical of Inchinnan, Renfrewshire, (winner of a technology award, too) is lauded. The company is the only British manufacturer of vascular grafts, used to replace damaged arteries.

Little products, too, can bring in big exports. One of this year's unlikeliest sectors is hand-painted model cottages, which are very popular with Americans and Canadians.

Lilliput Lane of Penrith, Cumbria, employs 520 staff and since its launch in 1985, export turnover has more than doubled year on year.

Similarly, John Hine of Borton, Hants, a rival producer of miniature cottages and English pubs, reports an annual doubling of turnover since its launch in 1979. The company employees 788 staff plus 4,750 home painters.

From the food industry, Bennett Opie of Sittingbourne, Kent, exports cocktail cherries, olives and gherkins to more than 40 countries.

Two awards relate in shellfish. Fastnet Fish of Grimsby, South Humberside, began in 1984 with one man and a desk. Three years later, this export division of Fastnet Fish Holdings employs five people and nets £5m in export earnings. Its keenest line is selling frozen Scottish scampi to the French, but smoked coley is popular in Australia.

The more established Sco-Fro Foods of Glasgow, a subsidiary of Interlock Investments, reports that nearly all its turnover of fresh and frozen fish comes from global export sales, covering Japan, the Middle East, North America and Western Europe.

The sweet tooth of the Russian confectionery market has helped HP Bulmer Pectin of Hereford, makers of citrus and apple pectin used as a geling agent in jams, preserves and confectionery, claim its export award. This is the second such honour for the company, a subsidiary of HP Bulmer Holdings, which reports a fivefold increase in turnover in the last 10 years.

In the hi-tech sector, Enterprise Computer Services of Aldermaston, Berks, specialists in mainframe computer engineering, has achieved a 600 per cent increase in overseas earnings over the last three years. The company, with offices in Europe, US and Japan, reports that 65 per cent of its business is export trade. It has a projected turnover of at least £20m this year and and plans a public listing next year.

A computer software company launched seven years ago with the personal savings (£1,200) of founder Mr Leslie Dewhurst, is one of the smallest winners this year. ProMicro in north west London exports almost all its programs for the petrochemical industry, mostly to the US.

ProMicro's speciality is stock control in "tank farms" where oil is stored and blended.

Euromagnetics of Redhill, Surrey, which makes recording tape for computers, is an example of a David and Goliath story. Founded eight years ago, it entered a market dominated by seven multinational corporations. Annual turnover is now £10m, and with a thriving European export business, it claims to be the most profitable manufacturer of computer tape in Europe.

Another small company to pick up an award is Burleigh Marine International of Brentford, Middlesex, which designs and manufactures energy absorbing fender-systems for docks and harbours. This 10-strong company won a £2m contract from the Port of Antwerp for which it provided 40 of the world's largest wheel fenders. Recently acquired by Trelleborg of Sweden as a platform for penetrating world markets, the company has come a long way since it was founded by two managers made redundant when the U.S. Firestone tyre company closed its UK factories in 1980.

AWARDS FOR EXPORT ACHIEVEMENT

ABI Caravans	Touring and static caravans
AVE Displays	Visual display units
Abbeycraft Furniture	Reproduction furniture
BCB International	Leisure and safety equipment
Edward Baker	Pet foods
Baring Securities	Stockbrokers
Bemac Engineering	Precision sheetmetal fabrication
Bennett Opie	Cocktail and glace cherries, onions, gherkins, olives, etc
Berghaus	Mountaineering, skiing and backpack clothing and rucksacks
Biwater Pipes & Castings	Iron pipes and castings
Black Clawson International	Paper pulp, board and converting plastic machinery
The Hatfield Unit of the Civil Aircraft Division of British Aerospace	BAe 146 civil aircraft and spares
The On Line Inspection Centre of British Gas	Pipeline inspection service
Brush Electrical Machines	Electric generators, motors and traction equipment
Burleigh Marine International	Fenders for docks and harbours
Sericol Group Division of Burmah Oil Trading	Screen printing, inks, emulsions and chemicals
Cape Contracts International	Insulation and ancillary materials
[illegible] Pharmaceutical Equipment	Processing equipment for the pharmaceutical industry
Chemical Design	Molecular modelling software with related hardware and support
Churchill Tableware	Earthenware, tableware and mugs
City Technology	Electro-chemical gas sensors and accessories
Cleveland Potash	Mining, processing and selling potash salt
The Vascutek Division of Coats Viyella Medical	Implantable vascular prostheses
Cobden Chadwick	Printing machines & paper converting machinery
[illegible]	Masterbatches & chemical concentrates
Consort Hotels	Promoting hotel services and accommodation
Cotswold Pig Development Company	Pigs for breeding
Davy McKee (Stockton)	Process plant fabrication
Dearden Davies Associates	Professional audio equipment
Derwent Publications	Scientific information publishing
Dawson Underwriting Agencies	Lloyd's Underwriting Agents
Dow Corning	Silicones
F Drake & Company of Colne	Polypropylene multi-filament yarn
Dunmach Engineering	Metal processing equipment
Dynapert Precima	Automatic assembly machines for electronics and microelectronics
Eclipse Blinds	Window blinds
Enterprise Computer Services	Computer services
Eurocast Bar	Continuously cast iron bar
Euro-Magnetic Products	Magnetic computer tapes & accessories
Europa Manor Engineers	Aluminium greenhouses and allied products
Fastnet Fish (Exports)	Frozen food
Filtronic Components	Microwave components
Flight Equipment & Engineering	Passenger seats for aircraft
Forest & Sawmill Equipment (Engineers)	Sawmill equipment
The Great Scottish and Western Railway Company	Tour operator
H P Bulmer Pectin	Citrus and apple pectin
Hawker Siddeley Power Engineering	Power generation distribution equipment
Hepworth & Grandage	Pistons, rings and pins for engines and compressors
Herga Electric	Electrical switches
Hilden Manufacturing Co	Damask tablecloths and napkins
John Hine	Miniature cottages for the gift trade
[illegible] Associates	Draught beer and wine dispensing equipment
Hunting Precision Components	Precision engineered steel components
Husky Computers	Handheld computer systems
Doncasters [illegible] Division of INCO Engineered Products	Metal rings
Ingersoll-Rand Company	Pumps and pumping equipment
JCB Sales	Earthmoving and materials handling equipment
I&M Kinder	Men's topcoats and jackets
The Lafferty Group	Information for financial services and conferences
Lilliput Lane	Plaster miniature cottages
The Electric Actuator Division of Lucas Aerospace	Electromechanical actuators & systems
Macallan-Glenlivet	Malt whisky
Malvern Instruments	Laser instrument systems
Marine Projects (Plymouth)	Motor cruisers and yachts
The Winnersh Site of Mars Electronics International	Electronic coin mechanisms
Morgan Refractories	Refractories
Northern Engineering Industries	Power generation, mining & materials handling equipment
Oxford Medical	Advanced medical equipment
Pitney Bowes	Mailing machines and other equipment
Polaroid (UK)	Photographic film, cameras & sunglass lenses
Sortaweigh Division of Portals Engineering	Computerised weight grading machines
ProMicro	Computer software for petrochemical & allied industries
Queenborough Rolling Mill Co	Steel reinforcing bars and plant machinery for rolling mills
Queensgate Instruments	Servo-stabilised scanning interferometers and micropositioning devices
Rediffusion Simulation	Flight simulation equipment
The Regent Belt Company	Belts, bags and leather accessories
The [illegible] Division of The [illegible] Engineering Co	High pressure water washing machines
[illegible]	Laundry, household and industrial chemicals
Reynolds Medical	Diagnostics medical electronics
Rolls-Royce	Gas turbine engines
Optical Devices Division of STC Defence Systems	Optical semi-conductor devices
Sco-Fro Foods	Seafood, soft fruit and vegetable processors
Seabourne Express	International hauliers
Seawheel	Unit load and container transport
Serono Diagnostics	Medical diagnostic immunoassay kits
Shorko Films	Polypropylene film
Sigmex	Computer graphic systems
David Smith	Cold roll forming machines
[illegible] Metal Products	Steel storage equipment
Pressing & Assembly Division of Stadco	Vehicle body panels & sub-assemblies
Technophone	Portable cellular radio telephones
Tiphook Group	International transport container rental
Triplex Aircraft & Special Products	Windscreens
Varian-TEM	Radiotherapy simulators
Verson Wilkins	Power presses and metal forming systems
Vickers Instruments	Measurement and inspection systems
Walkers Shortbread	Butter shortbread, cakes and biscuits
Wardley Export Finance	Confirming House
The [illegible] Unit of Warwick International	Speciality chemicals
The Wedgwood Hotelware Division of Josiah Wedgwood & Sons	Bone china tableware
[illegible] T/A [illegible]	Amplifiers for musical instruments
Wilson Jones & Company	Ladies nightwear

1988

Her Majesty the Queen has made 102 awards to British companies for export achievement this year and 43 for technical achievement

Wing which cuts the cost of flying is among record number of successes

BY DAVID FISHLOCK, SCIENCE EDITOR

TRADITIONAL British industries such as coalmining, textiles, instrumentation and gas transmission are strongly represented among the record number of 43 winners of Queen's Awards for technology this year.

But aerospace flies away with the biggest piece of technology, in the wing for the A320 Airbus, earning a joint award for the Filton Unit of British Aerospace's civil aircraft division, and the aerodynamics department of the Royal Aircraft Establishment, Farnborough.

The wing has a sweep angle of 25 degrees, and an aspect ratio of 9.5, lowering drag for the cruising airliner and so cutting its flying costs. The makers claim it gives the airliner a substantially improved aerodynamic efficiency and lower fuel costs per passenger than competing aircraft.

Farnborough also shares honours for another award, with British Alcan Aluminium, for their joint development of a new family of aluminium alloys for airframes, lighter yet stiffer than present materials. They incorporate lithium, a low-density but plentiful element, which can cut weight by 10 per cent yet increase stiffness by 10-15 per cent. They are already used in a small way in the Airbus 320 wing.

The new lithium-aluminium alloys have the properties of advanced lightweight composite materials but can be fabricated by conventional practice. The makers say all major aerospace companies in the West are evaluating them.

Rolls-Royce's Tay aero-engine is a marriage of the proven high-pressure portion of the Spey engine with a newly developed low-pressure portion using carbon-fibre composite ducts. It is rewarded as the only modern aero-engine in the class of 12,000-15,000lb thrust able to comply with all noise regulations.

GEC Avionics earns the award for its family of flight management computers, with which it has won US Air Force contracts to update the avionics of 39 different types of American warplane. To land these Standard Central Air Data Computer (SCADC) contracts, the company computer-designed a modular system in which just four basic elements with 85 per cent commonality can accommodate all the flight management functions for the 39 aircraft.

So far the company has landed all SCADC orders placed by the US and others from Canada and Germany.

A robot that flies through its high-pressure gas transmission pipelines picking up evidence of fatigue, corrosion or external damage, has won two Queen's Awards, for technology and for export, for a division of British Gas.

The On-Line Inspection Centre at Cramlington, Northumberland, is operating a regular service to maintain the long-term integrity of the mostly highly stressed parts of the national gas grid. Its also provides a contract service to overseas pipeline operators.

Try to picture the problem of flying a big aircraft at 800mph only 18 inches above a ploughed field. This is how IBM (UK) engineers have described the performance of the read-write head at the heart of their IBM 9335 magnetic disc file, developed, designed and made in Britain for IBM markets worldwide.

The system can access any of its 25m bits of stored data in 11 milliseconds. The company assembles the 300-part store in what it believes is one of the most advanced computer integrated manufacturing environments to be found anywhere, at Havant, Hants.

ICL at West Gorton, Manchester, wins the award for its use of fibre optics to inter-connect processors and high-speed magnetic devices in its Series 39 mainframe computer. This system is claimed to be Europe's most powerful computer design.

A lubricant claimed to cut the squeal out of car disc brakes has been formulated by K.S.Paul Products, experts in tribology. Its laboratories at Edmonton, north London, have developed an organo-metallic complex called polybutyl cuprysil (PBC),which lubricates and also resists seizing and corrosion, over a temperature span from minus 20 to 800 degrees C. The company says motor manufacturers apply PBC to nearly all light vehicles made in Europe and Japan. One user reports that PBC saves more than £1m in warranty claims previously paid against brake-squeal complaints.

Cybrid with only 65 employees wins the award with its Lay Planner, a computer-aided design approach to pattern scanning and nesting for garment manufacture. It automatically plots pattern shapes in a way most economical of fabric.

Cybrid claims it can save 5 per cent of materials compared with the most skilled manual practice. It has sold 200 since 1985.

A micro-processor controlled slicer for foods applies similar principles to the slicing of meats for packaging, cutting wastage and improving presentation, its makers say. Thurne Engineering's electronic Polyalicer gains the award for its ability to cut up to 800 slices of meat a minute to a thickness monitored to as little as 0.01mm — a performance it claims is unrivalled.

Also from the food industry is a process for making gluten and glucose syrup from British wheat, which earns the award for Tunnel Refineries of Greenwich. British wheat is a cheaper feedstock than the American grain previously needed to yield high-quality products.

An award for textile technology goes to Crosrol of Halifax, for the development of a high-performance carding machine to cleanse fibres. The company claims it allows closer settings than rival machinery and maintains those settings for as long as 18 months.

Fibres as a reinforcement for composite engineering components have gained a shared Queen's Award for GKN Composites and GKN Technology, who have developed leaf springs for vehicles from combinations of glass-fibre and epoxy resin. The two companies claim a component that is only half the weight of a steel taper leaf spring, and also benefits in noise, vibration and ride. About 100,000 of these LiteRide springs have already been manufactured for the Leyland DAF Sherpa.

Among the award-winning instruments this year is Vickers' fully automated optical system for controlling the quality of microminiaturised electronic circuits during their fabrication.

Another is the hand-held chemical monitor made by Grasby Ionics for detection of agents used in chemical warfare. It uses the principle of ion-mobility spectrometry and displays its findings on a liquid-crystal display.

Quantel of Newbury wins the award for its digital video recording, editing, processing and compositing system, called Harry. The company says it was developed to allow the creative artist to process raw images using an electronic pen and touch tablet. Harry offers all the facilities of a conventional studio under the direct control of whoever is responsible for the final appearance of the finished work.

The headquarters technical department of British Coal at Bretby is rewarded for its seismic methods of locating faults deep in coal seams. The technique can avoid the expense and disruption caused when a new seam is later found to have flaws that force management to abandon the mine, because it can no longer be worked by modern mining methods, costing up to £6m per coal-face in the UK.

British Coal says seismic fault detection is being used on 30 per cent of all deep-mined coal production, and 20 seismic surveys have been made in Australia, France, India and the US. The company calls it "an extra pair of eyes that can help us avoid bad geology".

Left: Mr John Parnell, managing director, and Mr Adrian Bankart, technical director, with Cybrid's Lay Planner, which applies patterns to textiles with maximum economy of fabric. Right: Mr Peter Antonissen, special projects director of Thurne Engineering, with the company's Polyslicer, which can cut meat to an accuracy of 0.01mm.

AWARDS FOR TECHNOLOGICAL ACHIEVEMENT

AES Engineering	Development of mechanical shaft seals	Hydraroll	Development of the "Hydraroll" shipchain and roller track system for transfer of pallets
Airopak Division of Air Products	Development of solvent resistant polythene containers using an in-line fluorination process	IBM United Kingdom Laboratories	Development of the IBM 9335 high-density magnetic storage sub-system
The Filton Unit of The Civil Aircraft Division of British Aerospace	Development of wings for the Airbus A320 Airliner (jointly with The Aerodynamics Department of the Ministry of Defence)	The Systems Engineering and Development Unit of ICL Mainframe Systems of International Computers	Design and application of nodal architecture in the development of the ICL Series 39 "multiprocessor" computer systems
The Speciality and Aerospace Division of British Alcan Aluminium	Development of lightweight aluminium alloys for aerospace applications (jointly with The Materials & Structures Department of The Royal Aircraft Establishment of The Ministry of Defence)	IMI Titanium	Development of high temperature creep resistant titanium alloys for aircraft gas turbines
The Headquarters Technical Department of of British Coal Corporation	Development of an in-seam seismic method for detecting geological faults in coal seams	The Automotive Group of ICI Paints Division of Imperial Chemical Industries	Development of "Aquabase" low-emission surface coatings for automotive vehicles
The On Line Inspection Centre of British Gas	Development of a high performance on-line pipeline inspection system	Isck Colour Graphics	Development of electronic colour separation scanners for the printing industry
The Research & Development Department of British Gypsum	Development of an improved kettle for the calcination of gypsum	Materials Technology Group of The Laboratory of The Government Chemist	Development of glass-ionomer cements for dentistry
John Brown Automation	Development of an automatic system for automotive clutches	Malvern Instruments	Development of an instrument to determine particle sizes using laser light diffraction
The Vascutek Division of Coats Viyella Medical	Development of the GELSEAL TRIXAL non porous vascular prosthesis	K S Paul Products	Development of PolyButyl-Cuprysil (PBC), an advanced lubricant with anti-seize and anti-corrosion properties
Crosrol	Development of the CROSROL MK4 CARD high performance carding machine	Quantel	Development of "HARRY" a digital video recording, editing, processing and compositing system
Cybrid	Development of an automated pattern scanning and nesting system for the garment industry	Queensgate Instruments	Development of servo-stabilised scanning interferometers
The Aerodynamics Department of The Royal Aircraft Establishment of The Ministry of Defence	Development of wings for the Airbus A320 Airliner (Jointly with the Filton Unit of the Civil Aircraft Division of British Aerospace)	Racal Marine Systems	Development of the "MICRO-FIX" microwave electronic positioning system
The Materials & Structures Department of The Royal Aircraft Establishment of The Ministry of Defence	Development of lightweight aluminium alloys for aerospace applications (jointly with the Speciality and Aerospace Division of British Alcan Aluminium)	Respondo Company	Development of solid state electricity meters and energy audit systems
Dowty Mining	Development of heavy duty armoured flexible conveyors for longwall coal mining	Reynolds Medical	Development of the PATHFINDER 3 SYSTEM for high speed analysis of long term electrocardiograms
Dowty Filtration Technology Division of Dowty Mining Equipment	Development of the Dowty "Jetflush" filter automatic self cleaning filtration system	The Tay Project of Rolls-Royce	Development of the Tay engine
Eley	Development of a safer method of producing percussion type primers for ammunition	Salcoms	Development of an electronic communications and safety system for use in mine shaft cages
The Instrument Systems Division of GEC Avionics	Development of Standard Central Air Data Computers (SCADC) for aircraft	Sigmex	Development of the 6000 series of computergraphic terminals and generators
GKN Composites	Development of vehicle leaf springs made from glass fibre and epoxy resin (jointly with GKN Technology)	Technophone	Development of the PC105 POCKETPHONE pocket cellular telephone
GKN Technology	Development of vehicle leaf springs made from glass fibre and epoxy resin (jointly with GKN Composites)	Thurne Engineering Company	Development of the THURNE POLYSLICER versatile high speed industrial food slicer
Graseby Ionics	Development of a hand-held Chemical Agent Monitor	Tunnel Refineries	Production of vital gluten and glucose syrups from British Wheat
Herga Electric	Development of fibre-optic sensors	Varian-TEM	Development of the Ximatron C series of radiotherapy simulators
		Vickers Instruments	Development of a fully automated optical measur optical measuring instrument

BUSINESS LAW

Telling the truth about mergers

By Leo Herzel and Richard W. Shepro*

WHERE THE obligation to disclose information about a contemplated merger or acquisition starts, and where it ends, remains an important but perplexing problem. It confronted the US Supreme Court in the recently decided *Basic v Levinson*,[1] a case involving a target company's obligation to disclose merger negotiations. It also dealt with the rights of stockholders who sue for damages when disclosure is inadequate. Unfortunately, the Court's opinions did little to reduce the perplexities of the subject. Indeed, it revealed some of its limitations as the top commercial court of the US.

The case arose after Basic Incorporated falsely denied that merger negotiations were taking place when asked about the reasons for a sharp increase in the trading volume and price of its stock. Stockholders brought a class action, arguing that the denials violated the Securities and Exchange Commission (SEC) rule 10b-5 because they were either untrue or flawed by misleading omissions of a material fact.

The case also dealt with the "fraud-on-the-market theory", which creates a presumption, based on an idealised efficient model of the market, that class action plaintiffs have relied on the misstatement or omission. Without this presumption, members of the plaintiff class would need to prove their reliance on the misleading information and this might not be practical in the context of a class action.

On the disclosure issue, the Court, in a 6-0 decision, rejected the idea, previously adopted by some federal courts of appeal, that the existence of negotiations is never material until the two sides have reached an "agreement in principle" on the price and structure of a transaction. Instead, the Court used a standard for "materiality" that it had developed more than a decade ago in a proxy contest case: a fact is "material" if there is "a substantial likelihood" that it would be viewed as significant by a hypothetical reasonable investor.

Disclosure concerning mergers is of great importance to investors because mergers can affect stock prices so dramatically. But it can also affect managements and their stockholders adversely because delicate negotiations can be impaired if announced prematurely to the public. Putting a mirror behind a player in a poker game can alter the outcome of the game.

In fact, Basic lied about its plans rather than merely keeping quiet or attempting to fend off queries with a polite "no comment". The Supreme Court, therefore, chose to sidestep balancing the strategic role of secrecy with the benefits of disclosure. Instead it emphasised a distinction between *materiality* and *timing* of disclosures, leaving the second unexamined. However, timing — when a corporation has a duty to volunteer information about a merger — is the far more pressing issue.

It is not so clear, however, that there really is such a sharp line between timing and materiality. For a target company, a merger is the most important thing that will ever happen to it. If the merger information is material under the standard in the Supreme Court opinion, does that not make all published information about the company, such as financial statements, misleading and require an immediate disclosure under rule 10b-5 and other anti-fraud rules? Logic suggests that it would, but it is unlikely that the Supreme Court would intentionally introduce such a dramatic change in the law only by implication.

> The case revealed some of the Supreme Court's limitations as the top commercial court of the US

Moreover, a matter that is unmistakeably material is highly likely to create an obligation to disclose under stock exchange rules. Basic's stock, for example, was listed on the New York Stock Exchange (NYSE). It is quite clear that silence or a no comment reply to inquiries by Basic would have been a violation of present New York Stock Exchange rules. These require "a frank and explicit announcement" whenever "rumours or unusual market activity indicate that information on impending developments has leaked out."[2]

An extremely important related question is whether a duty to disclose under stock exchange rules creates a corresponding duty to disclose under rule 10b-5. However, this is an after-the-fact question for litigation, not one for practical legal advice. Only in extraordinary circumstances would a lawyer advise a board of directors that it might consider breaking an important stock exchange rule.[3] Even then it is likely the advice would be disregarded.

There is another strange lapse in this part of the case. Rule 10b-5 prohibits misleading statements only in connection with the purchase or sale of a security. Since there was no purchase or sale by the company in *Basic v Levinson*, how could the company's statements violate the rule? The issue appears to have been conceded to the plaintiffs in the case without any analysis by the Court.

The Court only accepted the fraud-on-the-market theory, the other issue in the case, by four votes to two, so the precedential value of this part of the decision is week. As formulated by the Court, the theory is only a rebuttable presumption; in theory, a defendant can show that a member of the plaintiff class did not rely on the market price. But again, practical problems abound. The Court gives examples of how a rebuttal might work: one of them is to show that an inside information trader relied on his own special information instead of the market price. But no defendant could possibly go into the state of mind of each class member.

In the end, expert testimony may be the only practical way to attempt to rebut the presumption. In the *Basic* case, for example, an expert might reasonably have testified that the market "knew" about the pending merger while most of the class members were selling and that market prices reflected that knowledge.

But even if a general rebuttal by an expert could be attempted, at what point in the litigation could a defendant do that? Unfortunately the most likely answer may be at the damage stage. But by that time the defendant would be under great pressure to settle the case.

In effect, the Court has shifted the balance of power in fraud-on-the-market cases to plaintiffs, apparently without understanding what it has done. In general, the opinions in the case show little understanding of, or interest in, the strategic problems in class action litigation. This is in sharp contrast to some other decisions in recent years, when Justice Powell was a member of the Court, where the Court took a bolder and more sophisticated stand on crucial securities fraud issues.[4]

Justice White filed a plaintive dissent on the fraud-on-the-market issue. He is clearly tired of courts adopting, or even dealing with, economic theories; he thinks economic theorising is the prerogative of Congress, not the courts. But for courts this is an illusory evasion; refusing to deal with economic theories usually in itself involves the implicit adoption of some economic theory.

In short, business and litigation experience and interest are lacking in the present US Supreme Court. This is not so much a question of being pro-plaintiff, or anti-business, but of being able to size up issues and write opinions that reach sensible conclusions and give practical guidance. If the President of the US who makes the next appointment to the Court can find a candidate who can withstand Senate scrutiny on social issues, but also understands and likes business and economics, we would have a very valuable addition to the Court. A practical trial lawyer with experience in business cases would also be an important addition.

[1] *No. 86-279 (March 7, 1988)*

[2] *NYSE Listed Company Manual 202.05*

[3] *The American Stock Exchange has a similar rule, Nasdaq takes a similar position and some SEC forms create other special obligations to disclose merger negotiations.*

[4] *Santa Fe Industries v Green, 430 US 462 (1977); Ernst & Ernst v Hochfelder, 425 US 185 (1976); Blue Chip Stamps v Manor Drug Stores, 421 US 723 (1975) (concurring opinion).*

* *The authors are partners in the Chicago law firm of Mayer, Brown & Platt. The firm filed an amicus brief in the case on behalf of the American Corporate Counsel Association.*

ARTS

London Galleries/Deanna Petherbridge

Aboriginals put in the picture

British televisions have been soaked in Australian sunshine this winter, and there is not an Oz issue of social, historical, political, cultural or economic life that has not been subjected to bi-sententious scrutiny in the press. All this makes it the more surprising that Australian art is making such a muted appearance on the cultural circuit. It's all politics of course, and a rich clash of the socio-economic spectrum of politics with the ideological; in decisions by the Australian Bicentennial Authority to fund certain exhibitions and not others, the withdrawal of major backing for the projected survey show at Australia house, and the decision by certain artists not to collaborate with the blatant nationalism and Aboriginal land rights issue implicit in the Bicentenary.

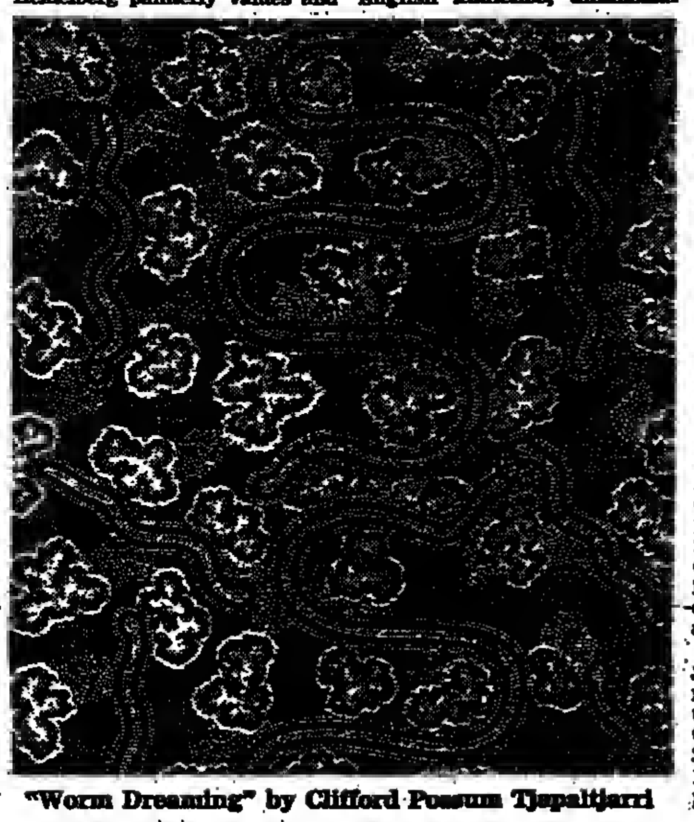
I'm rather inclined to agree with artist Tim Johnson, when he writes in the catalogue, *Stories of Australian Art*, that Aboriginal people should really be the focus of all bicentenary activities, not only to give them equal rights in the dominant art world but because the work has a clarity and conviction and needs a broad context. Showing individual artists is not entirely appropriate; nevertheless the exhibition of paintings by Clifford Possum Tjapaltjarri at the ICA is one of the most enjoyable of the bicentennial offerings. Confident in its language of signs, its dominance of scale and materials, the work is both abstract and loaded with meaning and narrative . . . and quite beautiful.

Stories of Australian Art at the Commonwealth Institute, London is a useful if rather unglamorous introduction to Australian art, based in the main on work in British collections. The exhibition attempts to define landscape painting within the deeper social context of colonialism, nationalism and urbanism, but to describe these strategies as "stories" is rather misleading.

In the early part of the exhibition, the lack of major Australian museum pieces (there is only one small von Guerard, for example) is not such a disadvantage, as a wealth of interesting and unfamiliar material has been borrowed from British museums, and two John Glovers from the Louvre. This selection illustrates European attempts to formalise and tame the landscape through the imposition of the picturesque, and also examines the way the Aboriginal inhabitants are romanticised, misrepresented, and finally driven out of the landscape as a paradigm of political reality.

The second part of the exhibition, a survey of Australian impressionism and the attempts to establish an "authentic" Australian landscape, is less well served either because key examples were not available, or because of contemporary embarrassment at naughty notions of nationalism. Even the title, *A Land of Golden Summers*, borrowed from a popular 1985 exhibition in Melbourne, appears ironical: after all, these paintings were as much about light as sunlight.

The problem here is a political subtext which can't be easily exported. For Australian cognoscenti, the Heidelberg School (named after a suburb of Melbourne) is redolent with dubious associations of suburban realism resistant to modernism. For an English audience, who has barely heard of them, the paintings are enchanting and deserve a better viewing. Although the best of the Heidelberg works are the glowing and intimate 9 by 5 cigarbox lids rather than the formalised large scale works, it is difficult in this exhibition to recognise the joyful talents of Tom Roberts, Arthur Streeton, Charles Conder and Frederick McCubbin. The small Tom Robert's "Evening Train to Hawthorn" of 1889 suggests a very English impressionism (Valette's smokey views of Manchester of a few years later) rather than a celebration of Australia, and beautiful as is Arthur Streeton's blue "Milson's Point from McMahons Point," c 1890, two of his works are not enough. This is historical revisionism with a vengeance! What is paraded as the dominant imagery is the trite bluegummed landscape of Hans Heysen, reproduced on thousands of living room walls and quoted by Imants Tiller in a more scornful decade. What is not made clear is the enduring influence of Heidelberg painterly values and manipulation of space on later artists.


"Worm Dreaming" by Clifford Possum Tjapaltjarri

There is, dare one say it, a particularly Australian way of handling paint as space; a background of scumbled or scraped surfaces, overlaid by a thin calligraphy of detailed and rather slippery brushwork. The scraped ground, which becomes horribly self-parodied in late Nolan, is triumphantly used in his "Camel and Figure" of 1966. Ground and stroke became the bread and butter of Fred Williams, a cliché for Clifton Pugh, are unconsciously subsumed in Arthur Boyd's grand oeuvre, and still crop up in Brett Whitely.

A Postmodern World, the final section, continues the theme of landscape and "Australianism," in which the most potent images are the companion pieces by Caroline Williams, the "Paintings" of 1987, with a mysterious knee-breached 18th century figure contemplating a moody and empty landscape. Geoff Lowe's "Impersonation" of 1983, with a masked white man impersonating a shield and boomerang toting Aboriginal, in the pose of the Roman sentry in Sir Edward Poynter's "Faithful Unto Death" 1865, deals very directly with the politics of portrayal. It suggests that representations of Aboriginals are inevitably racist, but its placing in the exhibition also introduces the obverse issue: the problem of Aboriginals painting "traditionally" within a Westernised society, using Western techniques and for an exploitative Western art market dependent on hyper-individualism. An English audience, unfamiliar with contemporary Aboriginal painting which has abandoned bark and natural pigments or sandpaintings (except in rituals) and "gone over" to Western materials, may initially be dubious of the authenticity of this type of work, unlike the more traditional Arnhem Land bark painting.

The debate against "culture in aspic" has been so well argued in Australia in the last decade, since the establishment of the Papunya Tula Artists company near Alice Springs in 1972, that it is not clearly rehearsed for a new audience. In brief, the adaptations of the Papunya and other artists' cooperatives need to be viewed as the outcome of changing social conditions amongst the Aboriginal people, for whom canvas and acrylics have facilitated a wider range of colouration and permanence than in the past – a widening out, but not a falsification.

The Clifford Possum Tjapaltjarri catalogue supplies clear explanations of the use of the dotting technique, the meanings of symbols, and how the works are maps of the Dreamtime, implying ownership of ritual property, only some of which can be shared with whitefellas. In *Stories of Australian Art* we can also compare the work of Clifford Possum Tjapaltjarri and his brother Tim Leura with the Europeanised landscape painting of Albert Namatjira in the 1940's; with the finessa of Hilda Napaltjarri; or the more "folksey" paintings of Robert Campbell Jr, using a composite Aboriginal and European imagery to reconstruct his personal histories.

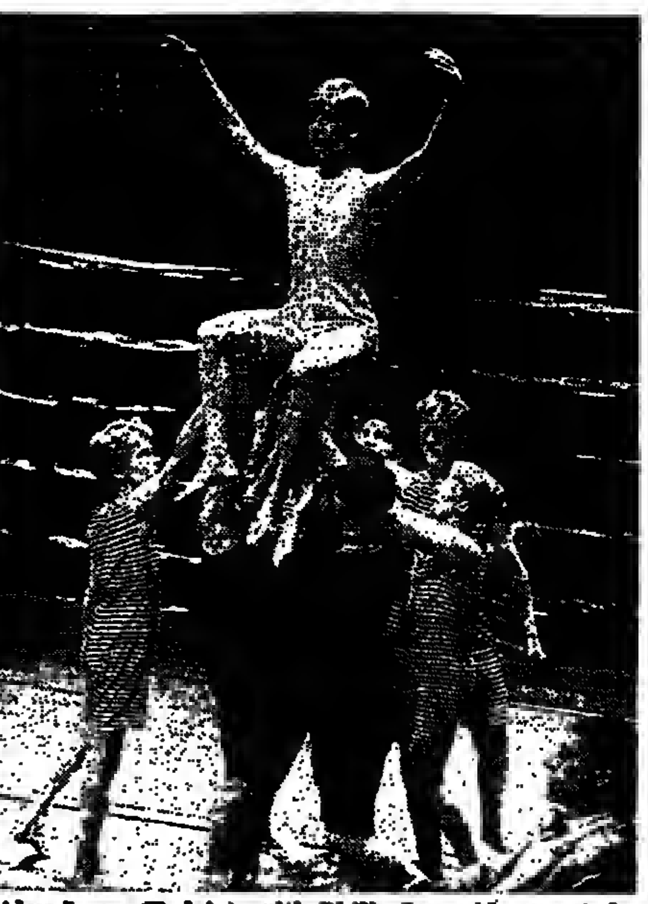
Appropriations of Aboriginal techniques and imagery by white artists constitute an equally delicate dilemma, positing either exploitation or rapprochement. Tim Johnson, an eclectic with a penchant for grey and delicate mysticism, borrows dotted aboriginal backgrounds as freely as floating Buddhas. He has collaborated closely with Michael Nelson Tjakamarra. In the ICA Lower Gallery, Imants Tiller, the Ozzie Sovereign of the Secondhand, plunders Papunya in one work, dissects de Chirico in another. "Antipodean Manifesto," 1986, which wraps a centrifugal Aboriginal painting in a frame of deconstructed cubism, is redolent for those who know the history of contemporary Australian painting. For others, it is a great relief to go from these elaborate overloadings to the clarity of Clifford Possum upstairs, where codes are integral with the signs, and art is primal.

★

Stories of Australian Art, Commonwealth Institute, London until May 29, then The Usher Art Gallery, Lincoln, June 25 - July 31. Imants Tillers: Works 1978-1988, and Clifford Possum Tjapaltjarri at ICA, until May 22.

Death in Venice/Theatre Royal, Glasgow

Rodney Milnes


Alan Innes (Tadzio), with Philip Langridge, seated

It is always a profoundly disturbing experience to hear Britten's last opera, more than ever so soon after the experience of the ENO's *Billy Budd*; there are limits to the extent to which one wishes to be allowed to peer into the depths of the composer's soul. The element of self-laceration is not altogether purged by pity. And more than ever just now: it is five years since Francois Rochaix's well-organized production was first given by Scottish Opera, and in the intervening period a work that equates the acceptance of love with fatal disease has taken on undertones unenvisaged by its creator.

There are other undertones. The compulsion to write the piece must have been overwhelming, in that Britten postponed desperately needed medical treatment to do so: in the process he seems to have embraced death as inexorably as Aschenbach. Does an element of haste show? For all the undoubted beauty of the score, are some of the musical gestures a little too expected in the context of the preceding operas? Are the insistent echoes of *Lucretia*, *Herring* and *Prince of the Pagodas* etc. a sign of hurry, or is the work a conscious summing-up, both musical and personal, in the face of death?

Had his health permitted, Britten would surely have made revisions, as he did to *Lucretia* and *Budd*: the uncharacteristic uniformity of pace of the first act, not to mention the fearful embarrassment of the school sports, cause any conductor great problems. Not all were overcome by Richard Bernas, in charge of this revival; the first part did dawdle a little, and one missed a firm rhythmic backbone at times, even in the Mahlerian entr'acte (how unfortunate that the *Lucretia*-derived, oft-repeated "love you" figure should soundlike Delius's cuckoo).

But Mr Bernas secured wonderfully clear playing from the orchestra (the woodwind especially eloquent and sweet-toned) and revealed the musical architecture in all its basic strength. The chorus of 24 worked extremely hard. And the clarity in the pit is matched on stage in Jean-Claude Maret's ideally flexible decor, which allows the complex (over complex?) action to move forward with admirable fluidity. The stage crew deserved their curtain call, and would have done so even more had one of them, in an Arthur Scargill baseball cap, not been plainly visible shifting props.

Tha Rochaix production has been revived, and much amended, by David Walsh – there is more emphasis on dance than in the original, a mixed blessing. Aschenbach's moustache has been removed, a definite plus (last time he looked uncomfortably like Dr Crippen). In the context, it is hard to say whether the casting of a decidedly plain rather than a beautiful boy as Tadzio comes as a surprise or a welcome relief.

Philip Langridge is ideally cast as Aschenbach, predictably so after his outstanding Vere. It goes without saying that he sings the role absolutely beautifully, the phrases perfectly moulded, the text projected with total clarity. He also finds fresh reserves of colour and dynamic variety to point the monologues, and the progress from thin-lipped ascetic to sunny-smiled hedonist to hunched, tormented victim is charted with uncomfortable precision. A memorable interpretation.

As his multi-parted antagonist, Jonathan Summers is less sure: while one respects the baritone's and the producer's wish to get away from a merely Mephistophelian tempter, there is a certain lack of relish, of over-riding evil, of grotesquerie in the impersonation, save in the simian exit from the Players' scene – a moment of true horror. What is left is the Puritan, mixing disgust into the stew of Dionysiac allure, which is certainly part of the character. Mr Summers is a high, lyric baritone: a little extra weight is needed towards the lower part of the range. One looks forward to hearing this notably intelligent artist developing his interpretation.

There is excellent support from Alan Oke (English Clerk, etc.), Timothy Wilson (Voice of Apollo) and Carol Rowlands (an incisive Beggar Woman). A strong, carefully prepared revival, then, recommended to those with strong constitutions.

A Simple Man/Sadler's Wells

Clement Crisp

The best reason for going to see Northern Ballet Theatre, installed for a season in Rosebery Avenue, is to watch Lynn Seymour and Christopher Gable making bricks without much choreographic straw, and then proceeding with these bricks to make a dramatic structure of some significance. The location of the structure is L.S.Lowry's Salford; the occasion is the London showing of Gillian Lynne's *A Simple Man*, inspired by Lowry's life and paintings. What Miss Seymour and Mr Gable do, as they have done in every ballet [illegible] them, is to play to each other, and thereby generate such emotional tension that we are forced into entire belief in the roles they incarnate. This, in the tenuous context of *A Simple Man*, is no mean feat.

The piece has a certain validity as a quest for local themes by a Manchester-based troupe, and an efficient show-biz manner in dance and score (by Carl Davis), but it is fatally episodic, save in the delineation of Lowry's relationship with his demon mother. Clichés abound even here, yet the joint art of Miss Seymour (a Jocasta in button shoes) and Mr Gable (looking haunted in a macintosh) triumphs at every moment. Mrs Lowry, taking refuge in tears which she negates with a single beady glance, is a marvel of jealous calculation; Lowry *fils*, repentant for imagined sins of disloyalty, is anguish personified. Both dancers seize every opportunity to show the appalling frustrations that are the basis for this relationship, and with characteristic subtlety, fight their emotional duels with the finest blades. Mr Gable's one explosion of feeling, when Mrs Lowry dies, is a bravura dance acting – oddly resonant of the death scene of MacMillan's Romeo and Juliet, roles which these two artists created two decades ago. Elsewhere in the piece, cloth caps and quaintness reign, with NBT's dancers eager to persuade us that the bad old days were ever so picturesque.

The evening is otherwise thin. The triple bill opens with Amedeo Amodio's *Suite Italienne*, which is viciously winsome to Stravinsky's suite for violin and piano. The cast labour under the belief that if they smile enough we shall not notice that the choreography is nonsensical, adopting the policy immortalised in the old patriotic song: "We'll grin, grin, grin, Til we win, win, win." The effect is rather like being trapped in a small room with several people having hysterics.

There follows Michael Pink's *Memoire Imaginaire*, a double pas de deux about a supposed liaison between Berthe Morisot and Edouard Manet. I like to think that had such an affair burgeoned, the two artists would have behaved with rather more physical originality than we are shown by Mireille Bourgeois and by Didier Cuciffe and Duncan de Gruchy, who are variously Manet and who treat Mlle Morisot rather less well than she deserved. The season is sponsored by Provincial Insurance PLC.

Winter Darkness/New End

Claire Armitstead

With the second play in their current London season Bristol Express negotiate the minefield that has grown up around Northern Ireland, eyes trained on the abuse of power and the strangulation of the individual voice. This uncomfortable, powerful drama is one of two by teacher Allan Cubitt to be premiered in the four-play season, and it reveals a huge new talent whose tendency to present the naked truth rather too directly for some in the audience (Hampstead's claqueurs were out in force in the harrowing first act) is counterbalanced by a faith in the resilience of art and the individual.

Extraordinarily, Susan Hogg's production manages very effectively to juxtapose a poetry sequence with fairly explicit scenes of torture. The play's protagonist, Shannon, is a poet who, through no clear fault of his own, is pulled in by the Ulster security forces to become a guinea-pig for the sensory deprivation techniques practised in the province in the early seventies. By the end of the first act he has been reduced to an inarticulate heap by methods designed to leave no physical scars. The 13 poems that intersperse these scenes are part of a reading five years later which charts the poet's coming to terms with the experiences of the man.

The distribution of selected highlights from the Compton Report, which ruled against charges of cruelty and brutality in the treatment of internees, is, I suspect, a mistake: not only is it unnecessary, but it confuses the target. Cubitt elsewhere is not concerned with the vilification of individuals but with the exposure of a system that protects its own only to destroy them as fully functioning moral entities. His squaddies (Ian Bartholomew is an outstanding example) are bits of "rough" from London or Glasgow, who lose themselves in the strange, barbaric game of extracting confessions; his inquiry inspector (James Greene) is the personification of complacent and corrupt bureaucracy.

Mick Ford, as Shannon, switches fluently from a prisoner at breaking point to a poet who reads with the gentle, hesitating dignity of emotion recollected in tranquillity. While his girlfriend (Julie McDonald) finds the answer in the gun, he takes solace in the language of personal discovery. It says something for Cubitt's writing that booklets of the poems, sold separately for a hefty £1, were doing a brisk trade in the foyer afterwards.

London Philharmonic/Festival Hall

David Murray

After Esa-Pekka Salonen's light, bright Sibelius Second with the Philharmonia last autumn, I adverted to the little ruses by which conductors more often create an illusion of substance in this symphony. Kurt Sanderling is something else again. With the L.P.O. on Tuesday he gave Sibelius's rhetoric the sharpest possible silhouette, but severely excluded any hint of bombast. All the best Sanderling performances are full of dispassionate ferocity. There were no "effects without causes" even the unconscionably extended peroration was kept aloft by sheer musical grip, not by inviting the brass to blow the house down.

Lovers of this symphony must have been surprised; the rest of us would at least agree that its uneven rewards had been given their best value, while wishing that Sanderling's magisterial beat could have been applied to a richer piece. The L.P.O. performed splendidly for him, having probably no choice in the matter – one blenches at the very idea of somebody playing slackly for Sanderling.

We had to be content with a *Freischütz* Overture of fine density and impeccable dramatic shape. The horns at the beginning captured that soft of *fresco* quality which is essential for Weber (and flattering in Sibelius), and which we hear from no other London horns: we owe its cultivation in the L.P.O., I think, to Klaus Tennstedt – who is to make his eagerly awaited return to the podium early next month.

The concert also introduced Jane Atkins, the L.P.O.'s Young Soloist of the Year (after a competition sponsored by Pioneer), in Walton's Viola Concerto. She sounded an excellently musical violist, if not yet a commanding solo performer: this crepuscular, troubled music really presupposes a seasoned artist, and a more helpfully reticent accompaniment than Sanderling quite managed (he conducted only this work from a visible score). Miss Atkins' scrupulous care for musical sense and her self-effacing address struck me as typical of the best Yehudi Menuhin School products these days.

Arts Guide

April 15-21

Exhibitions

WEST GERMANY

Berlin, Martin-Gropius Bau, Joseph Beuys (1921-1986). This is the first complete show of Beuys works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1980s based on a cycle, The Secret Block for a Secret Person in Ireland. Stresemannstrasse 110. Ends May 1.

Bottrop, Joseph Albers Museum, Im Stadtgarten 20. To commemorate the 100th anniversary of Josef Albers' birth, 100 paintings of the artist, born in Bottrop (1888-1976), cover the full range of his work.

Hamburg, Kunsthalle Glockengiesserwall. Holbein's paintings of court of Henry VIII, from the Queen's library collection at Windsor Castle. Holbein's 50 paintings, on-loan from the Queen's collection, exhibited for the first time in Germany. Ends May 28.

AMSTERDAM

Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history.

PARIS

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings. (45 49 48 14). Closed Mon.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. (42 77 12 33), Ends May 16.

Centre Georges Pompidou. Marc Chagall. Forty-six paintings, 406 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. Ends June 5.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon, Ends May 7.

Grand Palais. Degas. An important retrospective of 225 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. Grand Palais (42 56 09 24).

VIENNA

Kunst und Revolution, Austrian Museum of Applied Arts. A rare opportunity to see Russian and Soviet art from 1910-1932 under one roof. There are marvellous paintings by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre and post-1917 posters. Ends May 15.

Lithographs and drawings by George Eisler, Secession. It is worth seeing how this building has been restored and the small but fine exhibition of one of the few artists who returned to Austria after 1945. The collection focuses on Eisler's book illustrations. Ends May 15.

Alfred Hrdlicka, Kunstraum, Messepalast. Austria's leading sculptor celebrates his 60th birthday with an exhibition of his work, all carved in stone. Hrdlicka is an inspiring and energetic artist who shows no signs of retiring. Ends May 29.

NEW YORK

Fragonard, Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 130 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes, as well as paintings like The Fête at St Cloud and The Seesaw. Ends May 8.

Cezanne's Basel Sketchbooks, Museum of Modern Art. More than 100 sketches follow the career of the pioneering impressionist from 1858 to 1900, with examples of his major themes, from copies of Renaissance sculpture to landscaped still life and bathers. Ends June 5.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery beginning in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings.

CHICAGO

Georgia O'Keefe, Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Kodama, Spiral Garden, nr. Omotesando. Kodama is a Japanese word which can mean either spirit of wood or echoes. This exhibition features wooden sculptures by two Japanese artists whose works complement each other. Shigeru Nishina's hollowed-out trees are inspired by nature while Atsuhiko Sekiguchi is influenced by the urban environment and uses processed wood.

Harajuku, Ota Memorial Museum. A peaceful haven amid the hustle and bustle of one of Tokyo's trendiest districts. This month and next a selection of woodblock prints by everyone's favourite Japanese artist, Hokusai. Closed Mon.

Art Deco Glass by Rene Lalique, Teien Museum, Meguro. The museum is a former imperial residence and has one of the finest Art Deco interiors in the world. Among its many treasures is a set of doors with relief figures of winged goddesses, created by pouring molten glass into a mold and applying pressure. They were designed by the master of Art Deco glass, Rene Lalique (1860-1945), as were a number of other fittings in the house.

Rise in Arts Council grants for the regions

The Arts Council is relentlessly pursuing its policy of switching its resources from London to the regions. Its secretary general, Mr Luke Rittner, announced yesterday the 1988-89 grants for the regional arts associations and most have generous rises. On top of a basic 3 per cent more an extra £1.1m in development money for new projects is divided between them.

The money is distributed under a new formula which takes population levels more into account. As a result Eastern Arts, for years a poor relation, receiving 62p per inhabitant as against 657p for each Londoner, gets in total 14.6 per cent more, at almost £2m. Southern Arts gets an 11.4 per cent rise.

There are, of course, losers, most notably those areas of the country which were helped out by the abolished metropolitan county councils, like the GLC. The money the Government gave them to tide them over the loss is disappearing fast and the Arts Council is not making good the shortfall. As a result Greater London Arts actually gets 1.8 per cent less, at almost £8m, and Northern Arts is under one per cent better off. A.T.

Saleroom/Antony Thorncroft

Record $9m for diamond

Sotheby's is going, partly, public next month on a rush of good results. In New York on Tuesday it sold a diamond, a pear shaped gem weighing 85.91 carats, for $9m, a record for any diamond, indeed any precious stone, in the auction room.

And in London yesterday an Old Master sale did well, with a clutch of more modest records, such as the £209,000 paid for a Dutch whaler unloading in an estuary by the Dutch artist Lieve Verschuier, and the £236,000 for a view of Rome in the late 17th century by another Dutch artist, best known as Vanvitelli. The morning session totalled £3m with less than 13 per cent unsold. Dutch painting is all the rage. A still life of fruit and flowers by Jan Van Os made £220,000.

Also in New York on Tuesday Sotheby's brought in $2,2163,480 from selling the jewels and objects of vertu belonging to the late Clare Booth Luce, the playwright come ambassadress. Top price was $374,000 for a ruby and diamond ring.

Christie's had less success with its London sale of European sculpture and works of art. It was 44 per cent unsold. A rare late 16th century Florentine bronze group of Nesus and Deianeira cast by Antonio Susini from a model by Giambologna did very well at £440,000, as did a 15th century Italian marble relief of the Virgin and Child which the dealer Danny katz acquired for £308,000, way above estimate, but among the many casualties was a rare German polychrome oak eagle lectern dating to around 1200 which was bought in at £125,000.

FINANCIAL TIMES

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Thursday April 21 1988

Denouement in Algiers

THE RELIEF and gratitude felt in Kuwait at the release of the 31 remaining passengers and crew on board the hijacked Kuwaiti airliner will inevitably be shared all round the world. But beyond that reactions to the way the drama was ended are bound to be mixed.

Some of those professionally involved in the struggle against terrorism were not hesitating yesterday to describe the outcome as "a disaster," on the grounds that once again the perpetrators of a vicious crime, involving the murder of two people, the torture and beating of others, and the detention of the remainder for 15 days in appalling conditions of fear and squalor, have apparently been allowed to get off scot free. This result, it is suggested, is hardly likely to deter the same people, or others like them, from planning new outrages of a similar nature.

Indeed, under the terms of the declaration signed in Tokyo two years ago by their heads of government, the seven major industrial democracies are pledged to take action against states which allow hijackers to disappear without either indicting them in their own courts or extraditing them to face trial elsewhere. On paper Algeria, which according to its own "official sources" is letting the hijackers choose whether they go to Lebanon or Iran, has certainly put itself in this category.

Forfeited authority

Yet it is unlikely that there will be more than a very muted demand for sanctions against the Algerian Government, or even for a collective censure of its conduct. The US, for one, has forfeited its moral authority to cast stones at other governments for bargaining with hostage-takers, since it has been revealed that it was doing precisely that at the very time when President Reagan put his signature to the fine words issued in Tokyo; while it is an open secret that France, another Tokyo signatory, is even now engaged in negotiations with the holders of three French hostages in Lebanon, in the course of which it has already released "for lack of evidence" two people who had been held on suspicion of involvement in the Paris bombings of September 1986.

The British Government is in a stronger moral position, though it is only fair to point out that British policy has yet to be tested by a moral dilemma as acute as that facing the Kuwaiti and Algerian Governments in the last few days. The question has been raised, how would the British public have reacted had there been members of the British, rather than the Kuwaiti, royal family on board the plane? Even to ponder the point is a good way for British people to grasp the degree of courage and firmness shown by the Emir of Kuwait and his people during this ordeal – especially if one also remembers the importance of family ties, and of the extended family, in Arab society.

Plus and minus

The impunity of the hijackers is certainly a minus, but the fact that they were in the end obliged to end the affair without obtaining any concessions from Kuwait is surely a plus. If the release of their 17 comrades imprisoned in Kuwait was indeed their objective, as they proclaimed, one can at least hope that they and their masters will think twice and three times before attempting to repeat such an elaborate, expensive and (presumably even for them) nerve-racking operation with so little prospect of success.

And even if the real objective was related to some wider Iranian raison d'état, it must be doubtful whether it has been achieved. Like the latest bout of minelaying in the Gulf, the affair has served only to put Iran in a bad light, at a time when it has been anxiously trying to improve its international image, notably by exploiting Iraq's use of chemical weapons, in order to stave off the threat of a United Nations' arms embargo.

There presumably is a faction in Iran which encourages such provocations in order to sabotage any incipient détente with the Satanic West. But, whether on the tarmac at Algiers or in the waters around Sirri and Sassan, the outcome is surely such as to provide the opponents of that faction with some powerful arguments.

Tactics for the US election

SIX WEEKS ago, Super Tuesday suggested that the US presidential election would be fought for the middle by the middle. This has been confirmed by the New York primary. Barring the unexpected, Vice President George Bush will head the Republican ticket against Governor Michael Dukakis of Massachusetts for the Democrats.

Current polls put them at level pegging, though most informal assessments rate Mr Bush the favourite. This appearance of parity is not surprising, because there has been a recent drift away from the Republican Party and because neither candidate has yet inspired much public affection or admiration. In what promises to be quite a technical election, not dominated by overriding issues, each will be looking for an edge, or a series of small advantages. In this respect, no decision will be more important than the selection of running mates.

Mr Bush's task looks easier. He has geographical bases in both north and south. More important is the assumption that President Ronald Reagan can lock up the west, now natural Republican territory in any case, as well as assisting enormously in the south.

The 'passion' front

His need, therefore, is for someone who can bring a little fire as well as quality to the campaign. Senator Robert Dole of Kansas, defeated in the primaries, may have the quality but his tendency to direct his fire below the belt renders him suspect. Mr Bush may be tempted to steal Democratic thunder by picking a woman, such as Ms Sandra Day O'Connor, the Supreme Court Justice, but the imperatives of playing safe are more likely to steer him in the direction of a man like Mr Thomas Kean, the popular and progressive Governor of New Jersey.

Mr Dukakis's needs are similar, particularly on what has come to be known as the "passion" front, but greater. He requires someone who can help in the south, where the election could be decided and where "Massachusetts liberals" are not popular, and among minorities, without weakening the ticket elsewhere. His own relative lack of experience in national and especially foreign affairs also needs compensation.

He must at least consider offering the number two slot to the Rev Jesse Jackson, a beaten but far from spent force, as his 37 per cent of the vote in New York demonstrated. Conventional wisdom says that Mr Jackson on the ticket would, in the end, repel more voters than he would attract. However, operating from a less exalted level than that of running mate, his ability to mobilise minorities could be a substantial asset. Maybe Mr Jackson, who has shown himself capable of playing the game long, would accept such a role this year.

Sacrificing power

Now that the other defeated contender, Senator Albert Gore, has been found guilty of petulance in the first degree, the perfect partner for Mr Dukakis is probably Senator Sam Nunn of Georgia, who pulls weight not only in the south but also in serious foreign policy circles. Moreover, Mr Nunn is sufficiently self-effacing as a campaigner, though not as a Senator, to be unlikely to overshadow Mr Dukakis himself. Whether he is interested in sacrificing real power as chairman of the Senate Armed Services Committee in favour of only the hope of being that illusory heartbeat away from the presidency is another matter. But there are other able regional possibilities.

A Bush-Dukakis contest does not exactly make American nerve ends tingle, a factor which probably helps Mr Bush, in that Republicans tend to do better when the turnout is low. The continuing health of the real economy also works in his favour, though the underlying instability of the markets could induce a sudden relapse. Foreign policy developments, such as the favourable public response to the US attack on Iranian installations in the Gulf and a smooth Reagan-Gorbachev summit, can be co-opted to Mr Bush's advantage. But the great domestic social issues, especially this year drug addiction and the plight of the underclass, are probably more fertile ground for Mr Dukakis.

Back from the brink

Richard Johns looks at the consequences of the ending of the 15-day hijacking of Kuwaiti flight KU422

RELIEF at the end of the second longest air hijacking on record at Algiers airport yesterday will be tempered worldwide by regret that the hijackers seem almost certain to go free as part of the deal which made possible a conclusion without further bloodshed.

The 24 passengers and seven crew from Kuwait Airways flight KU422 who were released yesterday emerged from their 15-day ordeal apparently suffering from no more than exhaustion and whatever psychological wounds the captivity inflicted. For the civilised world the best possible accompaniment to that would be the arrest and conviction of the Shi'ite extremists for their hijack and the murder of two hostages. Yet it is doubtful whether that could ever have been achieved if any mediating authority was to keep its word in reaching a compromise.

It never seemed likely for a moment that Sheikh Jaber al-Ahmed, the Emir of Kuwait, would contemplate accepting the hijackers' demands. For their part the Shi'ite militants were hardly likely to renounce the cause of the 17 imprisoned in Kuwait for bomb attacks on the US and French embassies in 1983 in protest against the multinational peacekeeping force in Lebanon.

There is always brinkmanship involved in such a trial of nerve. But no one could safely dismiss as hyperbole the gunmen's naming of the airliner as "the Great Plane of Martyrdom" and their donning of shrouds at Larnaca airport. The prospect could never be dismissed that they might blow themselves and the airliner up in a gesture of desperate publicity for their cause. Selfless death in a righteous cause has always been at the very soul of Shi'ism. The death in battle, or "martyrdom," of the Imam Hussein, grandson of the Prophet, in 680 at the time of the great schism in Islam has been a fundamental source of inspiration to the sect.

The KU422 hijack came as a shock after a period of calm for the international airlines. There had been no significant forcible diversion of an airliner and holding of passengers to ransom since the seizure by four Palestinian gunmen of a Pan Am jumbo jet at Karachi airport in September 1986. There was no other comparable outrage in 1986, although the previous year had been one of special horror. There were two major politically motivated airliner hijacks in 1985, as well as the capture of the Achille Lauro cruise liner and bloody shootouts at Vienna and Rome airports.

These events stimulated a concerted international effort to tighten up security. The resulting period of quiet may have engendered some complacency. Yet, that aside, this latest international terrorist episode raises some worries for the future, including the still confused question of Iran's role.

Undoubtedly, the hijackers were the best equipped, prepared and organised to appear yet in the Middle East. They managed to put bombs on KU422 at Bangkok, an airport generally reckoned to have adequate security. Whether or not they were reinforced at Mashhad in Iran, the first stop of the diverted flight, the group had sufficient numbers for a protracted operation. By resting in shifts they were able to ward off fatigue, the main ally of anyone attempting to bring about a satisfactory conclusion, either by negotiation or force.

There could be no greater contrast than between their cool control and the frenzied behaviour of the two gunmen, ignorant of the most rudimentary facts about fuel consumption, who in the cause of the same 17 prisoners (as well as several hundred held by Israel) hijacked a TWA 727 in June 1985. Those two men ordered the plane to Algiers, then to Beirut, and back again to Algiers before forcing the willing crew to return to Beirut within the space of about a day.

On KU422, by contrast, the gang appeared to show expert knowledge of the lay-out and workings of a Boeing 747. At Larnaca airport, the second stop following Syria's refusal to allow the aircraft to land at Beirut, it was believed the terrorists were receiving radio messages, probably on a VHF frequency, from Lebanon.

From their point of view no aircraft could be a better choice than a 747. Only one has been hijacked before, the Pan Am jumbo taken over on the ground at Karachi in 1986. The attempt by Pakistani security forces to overwhelm the hijackers by force ended in carnage with 21 killed, and more than 100 wounded, as the gunmen opened fire and tossed grenades at the passengers. The 747 presents more formidable hazards than any other aircraft to storming by anti-hijack units – the height of the doors from the ground, the number of entrances, the size of the aircraft and existence of an upper deck. And from its arrival at Larnaca onwards KU422 was wired with explosives.

Only in Cyprus did the storming option – which Algeria would never have contemplated – exist even in theory. The Cypriot police force is reported to have an anti-hijack team trained by the GSG 9, West Germany's commando unit, which rescued a Lufthansa Boeing 737 at Mogadishu in 1977. Britain's SAS is known to have studied the problem of storming KU422; authorisation for deployment of this unit might have been given by the British government if it had been requested. As it was, the Cypriot government ruled out any rescue attempt from the start because of the carnage likely to ensue.

Accounts from the freed hostages support the Kuwaiti Government's conviction that machine-guns, grenades and explosives, together with reinforcements were taken on board at Mashhad. The hijackers proclaimed their operation to be the work of Islamic Jihad, in whose name most of the Western hostages seized in Beirut have been abducted.

The slogan Islamic Jihad or Holy War may once have been a cover for disparate factions, cells and even clans in the labyrinthine underworld of Lebanon. But the label definitely denotes Shi'ite extremism; in so far as it represents anything coherent it can be categorised as the terror arm of Hezbollah. It can safely be assumed that the hijackers of KU422 are members of Hezbollah, like those responsible for the TWA 727 hijacking in 1985.

Hezbollah is a loosely allied movement which emerged after the Iranian Revolutionary Guards' arrival in the Bekaa Valley of Lebanon in 1982. It is the creature of Iran, sponsored, financed and, to an extent, directed by Tehran. In the past it has publicly acknowledged its allegiance to Ayatollah Khomeini. And its avowed aim is to establish an Islamic republic in Lebanon to be used as a launching pad for the liberation of Jerusalem from the "claws of occupation."

That in itself does not prove the Iranian Islamic Republic's collusion at the highest level. Though the hijack was treated sympathetically by the official media there, several leaders of the regime have roundly denied that Iran was responsible, including Mr Ali Akbar Rafsanjani, the parliamentary speaker and Khomeini's representative on the Supreme Defence Council.

Iran's leadership has been divided over the emphasis to be given to the export of revolution, an objective which has been under the patronage of Ayatollah Montazeri, Ayatollah Khomeini's designated successor. Mr Rafsanjani leads the more pragmatic camp which looks askance at the ideologues' commitment to the export of revolution at all costs and especially at the expense of the state's immediate interests.

Western diplomats believe Mr Rafsanjani would have been angered and embarrassed at the timing, at least, of the Mashhad landing when Iran was holding general elections. It was also trying to make maximum capital out of Iraq's alleged use of chemical weapons against its own Kurdish citizens, and Mr Rafsanjani was trying to obtain the release of French hostages in return for reciprocal benefits for Iran.

All that does not rule out the possibility of some explicit approval for the hijack from senior figures of the regime like Mr Ali Akbar Mohtashemi, Minister of the Interior, who, as ambassador in Damascus in 1983, had a big role in co-ordinating suicide bomb attacks on the US and French units in the multinational peace-keeping force.

Alternatively, the hijackers may have assumed or been led to expect assistance locally at Mashhad where a number of exiled Kuwaiti Shi'ite clergy are believed to have settled.

Either way, Iran has given birth to a ruthless monster which it cannot control or condemn. And just as the Soviet Union in the past has felt acutely sensitive about the fate of the most insignificant client Communist Party, the Islamic Republic, in its present form, would never abandon Hezbollah for considerations of *Realpolitik*.

Moment of freedom: The released hostages leaving their prison of more than a fortnight at Algiers airport yesterday

THURSDAY BOOK REVIEW

Educational Achievement in Japan

Lessons for the West

By Richard Lynn
Macmillan £8.95

DURING THE debate over the Conservative Government's Education Reform Bill, the British public has been regaled with tales of successful foreign education systems. Most prominent among has been that of Japan.

The first book to attempt a comprehensive analysis of the lessons Britain can learn from the Japanese education system has been published recently, in association with the right-wing Social Affairs Unit. The author, Professor Richard Lynn, of the University of Ulster, discusses the excellent scores gained by Japanese pupils in international mathematics and science tests and concludes that this success reflects, above all, the superior motivation of pupils, parents and teachers.

The lessons he draws for the UK include:

- The Government does not need to spend any more on education – Japan has much larger classes and comparable teacher salaries.
- Pupils need incentives, such as exams, to learn and study – Japan's system runs on the motivating power of its senior high and university entrance exams at 14-plus and 17-plus.
- The school year should be longer – Japan's 240-day year compares with 180 days in Britain.
- Incentives must be created for schools and teachers – in Japan, competition through exams and a large private sector enforce a degree of "discipline".

While the book provides a generally factual analysis of the Japanese system, Lynn's presentation of this as evidence in favour of the UK Government's plans for education reform is a dubious attempt at inter-cultural borrowing.

He first stumbles over the hazards of drawing lessons from foreign systems when he argues in favour of heavy testing in Britain. Although he does not mention the Government's plans for testing, his praise of the way in which Japan's exams provide pupils with goals and parents with the means to compare schools leaves little doubt that he favours the Government's idea of simple written exams.

It is true that the 14-plus and 17-plus exams in Japan have motivated large numbers of pupils. They have also provided parents with a stick with which to prod teachers into expending greater efforts on their children. The exams have "succeeded", however, within the context of a particular social structure. In Japan, job prospects are linked directly to these exams. Society's emphasis on educational credentials and the life-time employment system of the most prestigious companies mean that these exams are critically important to a young person's career.

It is an open question whether the proposed UK exams would produce the same effect. They would give teachers a goal to work towards, but the motivating power of the tests would depend on the extent to which pupils and parents saw them as critical to a young person's future. Given the small size of the higher education sector and the absence of anything like a life-time employment system in Britain, there can be no certainty of this.

The second fault in Lynn's analysis lies in his attempt to present the Japanese experience as evidence in favour of privatising UK education. He notes that 30 per cent of Japan's upper secondary schools (entry at 15) are independent, and says they put pressure on schools and teachers to perform better. Government subsidies for private schools make them affordable for a larger segment of the population.

The problem with this argument is that Japan's success has little to do with the presence of competition from the private sector. In Japan, 14-year-olds compete for places in upper secondary schools, which are ranked in an exam-based hierarchy. In this process, competition between state schools has as much or more to do with motivating teachers as the presence of independent schools. Japan was producing excellent results in international tests in the 1960s, well before private secondary schools emerged as a competitive force.

One can get a better idea of the true source of Japan's educational success by looking at the nation's primary schools (ages 6 to 11). At that level, as Lynn acknowledges, 99.5 per cent of students attend state schools. Parents have a choice of just one school – the one in their district. Japan's pupils exhibit high-quality performance in international tests well before private competition becomes a factor.

The explanation for this success, in the absence of "the discipline of the free market," lies again in Japanese society. Already at this early stage, parents demand maximum effort from their children

There are, nevertheless, lessons to be learnt from Japan. Lynn is right to emphasise that much of its success can be attributed to the sheer amount of time the nation's pupils spend in the study of basic academic subjects. A longer school year and a national curriculum emphasising "the basics" would be a step in the right direction.

Similarly, he focuses on a deficiency in Western education when he stresses the need to motivate pupils, parents and teachers.

Britain may also have something to learn from the Japanese system of competition between schools at the upper secondary school level. The important thing to remember is that ability-separation does not take place in Japan until students enter the upper secondary schools at 15. A change in this direction in the UK could only be accomplished by restructuring secondary education, perhaps as part of an attempt to increase the number of pupils staying on until 18.

Len Schoppa

The author is at Oxford University, working on a doctoral thesis on education reform in Japan.

OBSERVER

Lancashire favourites

■The county cricket championship starts today with Lancashire, the bookmakers' favourites to take the title, playing Worcestershire, the favourites to take everything else.

The Lancashire-Worcestershire match overshadows the rest in the first experiment with four-day county cricket aimed at reducing contrived declarations on the third day and at preparing younger players for test match conditions.

Lancashire, second in the championship last year, have strengthened their team with the test bowler Chris Matthews from Western Australia. The Old Trafford pitch is being relaid and a new inflatable cover has been bought to allow the groundsman to work while it is in place.

Worcestershire, quoted by Ladbroke at 8-1 for the championship compared to Lancashire at 9-2, are taking Ian Botham with them and were saying yesterday that he was expected to play, even though he is still recovering after completing his 500-mile walk with elephants across the Alps.

The presence of Botham and Dilley makes Worcestershire fancied in the one-day trophies, quoted at 3-1 for the Refuge Assurance League, 9-2 for the Benson and Hedges Cup and 9-2 for the NatWest Trophy, but the possible loss of both players for test duty makes county championship success less likely.

Lancashire last won the championship in 1950 when they shared it with Surrey. Among the outsiders, Derbyshire at 25-1 could be a good bet. Surrey fancy their own chances so much they have bet on themselves at 25-1 and stand to take £10,000 from the bookmakers if they carry it off. Their odds have now been reduced to 14-1.

Smith's war games

■What most of us will continue to remember as W H Smith & Son recently changed its name to W H Smith. The company has been trying to establish when it first used the W H Smith & Son brand name.

Its archivist, Tim Baker-Jones, has come up with a war map of Afghanistan dated 1878. Printed in six colours apart from black and white, and including an enlarged inset of the Khyber Pass, it sold in those days for six pence. Such is its detail that some people might have found it useful in the last few years.

Actually the company has changed its name several times. It was originally called H W Smith after its founder Henry William. His son was called William Henry, so the name was altered accordingly. Then it became W H Smith & Son. It celebrates its 200th birthday in that pregnant year – 1992.

Wörner's farewell

■Manfred Wörner, West Germany's departing Defence Minister, took a helicopter trip to Mönchengladbach yesterday to say goodbye to the British forces in Germany - leaving speculation buzzing in Bonn about who will be his successor.

After 5½ years in the job, Wörner takes over from Britain's Lord Carrington as the new Nato Secretary-general on July 1. Amid all the publicity that Franco-German military collaboration has been getting, he was careful yesterday to stress the strength of the "quiet friendship" with Britain.

Wörner, 53, is leaving the Ministry's sprawling Hardthöhe complex with some relief. He has withstood the pressures of office better than some previous defence ministers, for whom the post has often turned out to be a political graveyard, but is bequeathing a host of financial and manpower problems to his replacement.

Although the new appointment is due to be announced next week, Wörner himself does not know the name. Chancellor Kohl is said to have made up his mind, but may still need to carry out some delicate last-minute conversations with political colleagues to seal the choice.

About 20 figures have been mentioned in the press during the last few months as possible candidates. Among the front runners appear to be Wolfgang Schaeuble, 45, one of Kohl's right hand men who is Minister in charge of the Chancellery, and Volker Ruehe, the 45-year-old foreign affairs and security expert who is one of the Christian Democrats' leading young parliamentarians. There is also talk of someone from outside politics.

A lot of people outside Germany as well would like to know.

Irish quarrels

■Persistent dissension by John Donellan, a former Irish minister of state, with his Fine Gail Party leader Alan Dukes has led to his expulsion from the parliamentary party.

Donellan has spoken out previously, but when he refused to introduce Dukes at a meeting recently he was treading on thin ice. This finally broke when he said this week: "If it were raining soup, Alan Dukes would be out with a fork." Some of his other remarks were less printable.

Right of reply

■The name of the new chairman of the British Press Council is expected to be announced next week. He or she will succeed Sir Zelman Cowen in September.

Cowen has combined the post with being Provost of Oriel College, Oxford and the chairmanship of the Press Council has always been considered a part-time job. The suggested salary this time is about £30,000 a year. Yet there is a case for turning it into a more full-time occupation.

After all, this is probably the council's last chance to prove that it can monitor journalistic conduct on a self-regulatory basis. At present, some of its rulings are ignored or derided by sections of the press. There is also mounting pressure in parliament to introduce a statutory right of reply when newspapers are judged to have gone too far. Averting such pressures, while restoring respect for the council, will be among the major tasks of the new chairman. They are surely beyond the head of another Oxbridge College or a political has-been. It is not still certain, however, that the members of council making the appointment have taken that on board.

Hair of the dog

■A reader in Woking tells us that he was driving behind a car when the motorist suddenly stopped, opened his door and threw out a dog on to the pavement before speeding off.

Upset about this apparent cruelty, the reader tried to catch the dog but it ran off after the first car. About a mile down the road he came upon the man sitting outside a pub with a pint in his hand just as the dog arrived. He explained: "It's just the way we do walkies."

Economic Viewpoint

Inflation, new jobs and the poll tax

By Samuel Brittan

ONE OF THE peculiarities of mainstream macro-economics is that a slowing down of output can be seen as good news and as an antidote to inflation. This is, in reality, just the nonsense that the plain man will suspect it to be.

The paradoxical welcome for a slowdown arises from the forecasters' habit of treating output as synonymous with demand. In an economy with unused reserves of all kinds of labour and capacity, it is quite true that increased demand will bring forth a corresponding increase in supply at existing prices – although even then some of the supply may take the form of imports.

But in more usual conditions, when there are some capacity constraints and some labour shortages (even though there are still millions of unemployed), output is not a good measure of demand; and a slowdown in output can be a sign of increasing capacity constraints rather than of a reduction in inflationary pressures.

The evidence that the UK economic upturn is running out of steam is still pretty scanty. The 3 per cent apparent fall in manufacturing output between January and February has little meaning; it is a waste of time to debate how far it might have been affected by the leap year adjustment.

Even the quarterly movement, which shows a slowing down in the annualised growth rate in manufacturing to just over 1¼ per cent, is pretty erratic, although just worth observing. Confederation of British Industry surveys still tell of vigorously expanding output.

On the labour market front, the signs are equally tenuous. The slowdown in the rate of fall of unemployment is two months old. On a six-month average, the fall has scarcely changed. The drop in vacancies, which may be somewhat stronger evidence, is still only four months old, and the diagnosis is highly dependent on the Department of Employment's seasonal adjustment.

Taking all these straws together, it is possible that the overall growth of real gross domestic product, excluding North Sea oil, has slowed compared with last year's exceptionally rapid rise of 5 per cent.

If exports have really fallen this would be confirmation. But the trade figures have been knocked sideways by the documentation changes and very little can be read from them.

The fall in stocks of finished goods is also a sign that the slackening off is coming from the side of supply as well as demand. This is supported by CBI evidence of rising order books.

A slowdown in output would only be good news, even from the point of view of overheating and inflationary pressures, if it were due to a slackening of the growth in domestic demand. My best guess is that any present reduction involves a combination of supply constraints and weakening external demand – notably from the US as a result of the falling dollar. The UK Government's follies in its exchange rate policy against the D-Mark have not yet come home to roost.

There is little sign of the domestic spending temperature coming off the boil. The fall in retail sales, in the provisional March estimate, is minuscule and quite likely to be revised out of existence. Retail sales volume rose by 7 per cent between the first quarters of 1987 and 1988 (a rise exaggerated by bad weather in the earlier period) and by an annualised 4 per cent between the two most recent quarters. The true trend is somewhere within this range.

The most obvious indications of a build-up of spending power come, however, from asset markets. The double-digit percentage increases in the money supply and in bank credit, (for which fresh March data are due today) are, on their own, far too unreliable a guide to inflationary pressures. But they are this time backed up by other indicators, above all, house prices.

So far from slowing down, house price increases have accelerated. In the first quarter of 1988, the Halifax Index shows that house prices were 17.3 per cent higher than a year before. In the 12 months to March, the increase was 18.2 per cent. This compares with 14.6 per cent in the year to mid-1987 and 11 per cent in 1986.

The house price boom is, of course, centred on London and the south-east, where average house prices are highest. But the most rapid rates of increase in house prices is in East Anglia, into which the boom has spilled. Prices have risen pretty rapidly in the Midlands and south-west as well. In Scotland and the north, however, the rate of increases is still well below the national rise in earnings.

The Stock Exchange, which is much less important for most people, has not done as well as residential property. Yet despite the Black Monday fall, equity prices are slightly higher than at the beginning of 1987. Holders of with profits life assurance policies (which follow the market with a lag) are receiving record bonuses.

House price increases may not be a cause of inflation, but they are both a symptom and a part of the transmission mechanism. To the extent that they make people feel wealthier, they tempt them to buy more on credit. It may not be a coincidence that the residential property boom has coincided with the drop to a record low of 4.3 per cent in the (admittedly dubious) official estimate of the personal savings ratio.

Another part of the transmission mechanism is that the rapid increases in the price of homes in the south-east puts pressure on pay rates, especially in the case of employers trying to recruit workers from afar.

Unfortunately, there is little that can be done to alleviate present stresses by conventional monetary and fiscal policy. It makes little sense to tighten fiscal policy further when there is already a Public Sector Repayment of nearly £4bn, and in the face of evidence that a decline in public borrowing has been mirrored by a rise in the private sector variety.

The poll tax will encourage wasteful low-density occupation and discourage the sharing of large homes

Tighter monetary policy, which normally takes the form of raising interest rates, is also hardly sensible while sterling is already higher than justified by the fundamentals of either relative inflation or relative competitiveness.

The best macro strategy for inflation would have been to have played it long by keeping to the DM3 sterling target.

In the context of a sterling/D-Mark link, British interest rates would have to be reduced towards West German ones, now about 4 per cent lower. But as the credibility of this link increased, still lower British rates would have been less inflationary than 8 per cent rates are today. For if Britain and West Germany are part of the same currency area, the rate of UK inflation in traded goods and services ultimately cannot exceed the German one.

Officials, who tend to come to the fore when the Prime Minister and Chancellor disagree, have evolved the doctrine of spreading the upward pressure from sterling across the board: accepting some rise in the pound, undertaking some intervention and introducing some cuts in base rates.

Alas, this compromise makes little sense. One does not have to be a balance of payments fetishist to query the desirability of simultaneously worsening Britain's international competitiveness, while encouraging consumer spending and the boom in property prices.

As a result of recent events, neither raising, nor reducing nor leaving interest rates as they are, makes sense. One can give no sensible macro-economic advice, except to warn readers that fourth and fifth best policies, such as inward exchange controls and two-tier interest rates, may soon come up for attention.

Whatever the monetary regime in force, it would be desirable to remove the many policy distortions which aggravate the rise in property values in the south-east.

High and rising house prices, together with the great difficulty of obtaining rented accommodation, make it extremely expensive for workers to move off the dole in the north to jobs in the south-east. House market behaviour thus raises the minimum unemployment rate which can be achieved without accelerating inflation.

The two Government policies which do most to raise property prices unnecessarily are planning controls and housing taxation. Mr Nicholas Ridley, Environment Secretary, is showing a welcome, if modest, degree of flexibility in his application of planning controls. But instead of urging him to go further, the political lobbies, supported by some supposedly free-market MPs such as Mr John Redwood, are putting the frighteners on to try to freeze him into complete rigidity.

One would have to have been born yesterday to believe that the opposition of south-eastern activists to fresh development does not stem entirely from the noble love of rural vistas. Some surely reflects a very human desire to maximise the scarcity value of their existing residences.

Although the Government is trying – we shall see for how long – to stand up to the Green Belt lobbies, its policies on the taxation of housing and on local taxes are facing 180 degrees in the wrong direction.

Not only does mortgage interest relief – which, on the Prime Minister's insistence, remains allowable even against the 40 per cent higher tax rate – artificially raise the price of houses relative to alternative investment. But the poll tax, known as the community charge, will not only be inequitable, but will further distort the residential market – a point missed by many of its critics.

By levying local taxes per person rather than per dwelling, as rates did, the poll tax will encourage wasteful low density occupation and discourage the sharing of large homes with other families, or with young adult members of the same family.

By removing the last vestige of a tax on property values, the community charge will make houses more attractive relative to other investments and further raise their prices – by 15 per cent according to some ultra-cautious estimates.

The poll tax issue is highly relevant to overall economic policy. For, by adding to the forces which raise house prices, it is limiting labour mobility and causing inflationary bottlenecks to appear earlier in an economic upturn, and at a higher rate of unemployment, than they otherwise would. Far more is at stake than backbench revolts or the progressiveness of the tax system.

HOUSE PRICES
1st quarter 1988

	Average prices	% increase over year ago
UK	£50,680	17.3
Scotland	£36,498	5.2
Northern Ireland	£30,194	-0.7
Wales	£33,876	10.6
North West	£34,828	10.8
North	£31,035	7.0
Yorkshire & Humberside	£30,701	9.1
East Midlands	£40,082	18.0
West Midlands	£41,506	22.1
East Anglia	£58,912	39.3
Greater London	£80,306	22.7
South East	£74,082	26.0
South West	£55,486	27.7

Source: Halifax

Lombard

The frontiers of medicine

By John Lloyd

A RANGE of life and death matters now present themselves for resolution by law makers – and the general public – in different countries. They include:

● A debate in the Netherlands about legalising euthanasia. The issue will shortly be considered by the Dutch parliament amid signs that most people in the country will approve, at least, of decriminalisation.

● An uproar in the US over a patent granted to a Harvard laboratory for a mouse genetically engineered to be susceptible to breast cancer – the laboratory will grant an exclusive licence to Du Pont to produce such mice.

● An attempt by a British Liberal MP, Mr David Alton, to reduce the legal time limit for abortion in the UK from 28 weeks of pregnancy to 18 weeks.

● Breakthroughs in Sweden, the US and – announced last week – the UK in brain implant surgery using foetal tissue, which have sparked calls in the two last countries for a revised code controlling such transplants.

This matter is the freshest and, like the others, presents particular problems. It has attracted the opposition of those who are against abortion. It seems also to have shown, in the US and the UK, the lack of a relevant code (although Sweden does have such a code, and guidelines on the use of foetuses were promulgated in the UK in 1972). And it has given renewed impetus to the argument that expanding medical frontiers in this direction will inevitably create a black market in foetuses, conceived purely for gain by the poor.

Though all these difficult ethical problems are separate, it is worth considering what unites them. The largest unifying factor is technological. New drugs and new equipment have extended conscious human control over processes which until recently had been considered wholly personal – and divine. Such developments have pulled back the limits for foetal survival outside the mother's body, pushed forward our "natural" life span, lifted the threats of pain and death from disease and hurt. Medicine has been the quintessential "Enlightenment" science: self-confident, secular, optimistic and interventionist.

It has always met, and continues to meet, challenge from older, generally religious, values. In President Ronald Reagan's America, the power of the "fundamentalist" lobby has been used to put pressure on (but not yet to revoke) abortion rights, and has ensured that foetal transplants are at present under a moratorium.

Yet we can propose no code other than a secular one with any hope of assent. This code asserts that the extension of life and the relief of pain are good; that technology should encounter as few barriers as possible to the pursuit of these aims; that organs and limbs from the recently dead, including aborted foetuses, can be put to the relief of suffering; and that this can be (and often is) a relief not only to those who receive but also to the relatives of those who have given.

To be sure, the code must have some safeguards chiselled in stone: the consent of the donor or, where donor consent is not possible, the consent of nearest relatives; no contact between donor and receiver, nor between their doctors; and prohibition of any commercial gain. In the case of the implants performed by Professor Edward Hitchcock in Birmingham in March and April this year, these were observed.

Mr Bob Baker, professor of philosophy at Union University in New York State, considered hypotheses in which a woman conceives and then aborts to save someone close to her, and in which a poor woman does the same for money. Even those cases, he says, could not be condemned without hard thought: are we so sure that the benefits to humanity outweigh the disadvantages?

Even if we are, we are not now faced with such extremes. Rather we are faced with a world where the dominion which suffering and death have exercised over us, while finally remaining, is steadily relieved. That is a world where life is getting better.

Letters to the Editor

An anomaly explained

From Mr Otto von Fieandt.

Sir, Your Observer column (April 11) repeats the misconception that the seven-year presidential term in France was an innovation of the Fifth Republic, made for the convenience of General de Gaulle.

In fact, the constitution of the Third Republic in the 1870s set the term at seven years – for good reason. The President's functions were only ceremonial, and the prestige of the office was enhanced by a long term office.

The constitution of the Fifth Republic gave that President some real powers. It would have been logical, therefore, to reduce the term of office, to enable voters to remove a President within a reasonable time should they so wish.

This was not done, I think, because of a simple oversight. All three successors of the General have spoken in favour of shortening the term. Oversight plus inertia, not imperial design, explains the anomaly of a seven-year term.

Otto von Fieandt,
Torre 111-9 C,
Avda. Los Manantiales,
29620 Torremolinos,
Spain

Money linked to commodities

From Dr Patrick Collins.

Sir, Samuel Brittan pointed out some of the weaknesses of the international commodity price indicator proposed by US policy makers (April 14).

The value of any such index is bound to be reduced as a result of the large scale aggregation of data, which is compounded when expressed in terms of a basket of currencies. Much of the inappropriateness of movements in such a global index for policy in different countries would disappear if national indicators were used.

However, there is a more direct method of allowing the real value of a currency in terms of primary commodities to influence interest rates – as it should. That is to resume the policy of convertibility of currency on demand into the commodities in question; and the most practical means of doing this is to adopt the system of *conditional* currency convertibility devised by the Australian economist, the late Leo St Clare Grondona.

This has the important advantage of enabling individual countries to implement it in terms of their own currency (thereby avoiding all the problems of indices and currency baskets) and on a scale appropriate to their national needs. Second, under such a policy, market forces have a direct influence on the money supply, raising it when the value of money is rising, and reducing it when the value of money is falling, as occurred under the original gold standard.

After more than 15 years of global financial turbulence, policy makers have begun to relearn the lesson that money must be linked to commodities. With luck it will be only a few more years before they rediscover how to bring it about.

Patrick Collins,
The Management School, Imperial College,
53 Prince's Gate,
Exhibition Road, SW7

The well-off get more and more

From Mr Frank Field MP.

Sir, Peter Riddell's article on the increased proportion of tax revenue paid by top earners (April 16) only thinly disguises the huge shift of national wealth to the well-off that underlies this increase.

It is indeed true that high income earners have contributed an increasing proportion of the total tax take since 1979 – despite the fact that this proportion will fall in the wake of this year's Budget, as Peter Riddell points out.

Much more significant, however, is the share of *income* going to these top groups, that has produced these increased tax revenues. This has risen at a fantastic rate.

In 1978-9, the top 1 per cent gained 5.3 per cent of pre-tax income. By 1984-5 this had increased by almost 100 per cent, to 10.5 per cent. The top 5 per cent gained 15.7 per cent of pre-tax income in 1978-9, and had more than doubled this – to 33 per cent – by 1984-5.

The only argument that these figures support is the one that permeates the Government's entire political agenda – namely that to those who have, staggering amounts more will be given.

Frank Field,
House of Commons, SW1

The relationship between £M3 and nominal GDP is unstable

From Mr Andrew McKay.

Sir, I welcome Samuel Brittan's continued enthusiasm (April 14) for nominal gross domestic product (GDP), especially in the context of the international policy co-ordination debate. I would, however, query the significance of some of the reservations he expresses about nominal GDP as an objective.

That GDP data are inaccurate, and not very timely, is undoubtedly correct – but the importance of this fact can be judged by comparison with sterling M3 money supply data which formed the almost exclusive focus of UK monetary policy in the late 1970s and early 1980s.

The inaccuracy of GDP data is evidenced by their revision subsequent to initial publication. However, money supply data are subject to similar revision. Any advantage of superior accuracy on the part of monetary data is cancelled out by the uncertainty and instability of the relationship between £M3 and nominal GDP.

As regards timeliness, the first quarterly GDP estimates are published about 10 weeks after the relevant quarter; money data are available monthly, two weeks after the month ends. However, only the accumulation of monthly information on aggregates such as retail sales and trade data permits inferences to be made about the evolution of most of the components of GDP.

Thus, it is not necessary to rely on behavioural relationships between variables in making forecasts, thereby eliminating a major source of forecast error. My own investigations suggest that it is possible to form a reasonably accurate impression of quarterly GDP two weeks after the quarter.

Andrew McKay,
Clare College,
Cambridge

AUT anxieties over plans for the restructuring of British science

From Dr Ekkehard Kopp.

Sir, Your leading article of April 12 describes the difficulties faced by the research councils in setting up interdisciplinary research centres (IRCs) in the universities within a science budget which is declining year by year in real terms.

Fundamental to the success of these centres will be the commitment and enthusiasm of the staff they employ. In a climate of increasing pressure on academic staff and reduced university budgets, and with politicians inclined to blame industry's failure to exploit the inventive capacity of Britain's scientists upon the successful universities themselves, such commitment will not be easy to maintain.

This contradiction was highlighted in my association's comments on the report "A Strategy for the Science Base" published by the advisory board for the research councils last year.

We insisted that IRCs should not be implanted upon universities from above, bypassing the academic structures of their host institutions and syphoning off the bulk of their research funds.

We argued that successful centres could not be based on an itinerant, short-term, and contractually insecure workforce, whose careers and research projects were dominated by the short-term perceived needs of industry or government.

We endorsed proposals for strategically oriented research, designed to keep the UK in the forefront of world science, but insisted that this would be achieved most effectively by the close involvement of the scientific community as a whole, and that the research base would be most effectively strengthened if research provision remained available to all university academics.

The procedures adopted so far in the setting up of five designated IRCs fall far short of this model. Decisions on their siting and funding are being made without the involvement of the majority of practitioners; a sharp increase in the concentration of funds is already evident; the essential link with teaching, even at postgraduate level, is ignored and even "talked down"; and no attention has so far been given to the nature of contractual relationships for staff or for the host institutions.

These are matters of fundamental importance for the success and the acceptance of the centres in the academic community. My association, which represents that community, has repeatedly tried to have them addressed seriously by those currently planning the restructuring of British science. Unless this is done, the IRC initiative, for all its scientific merit, faces an uncertain future.

Ekkehard Kopp,
Association of University Teachers,
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FINANCIAL TIMES

Thursday April 21 1988

Jim Bodgener reports on the changing mood of the Turkish electorate as inflation rises

Ozal loses his 'central pillar'

OVER the smog-ridden slums in the valley, tha Riviera-style apartment blocks of Ankara's bureaucratic middle classes on the northern hills look across to the squatter sprawl climbing the low range of mountains on the other side.

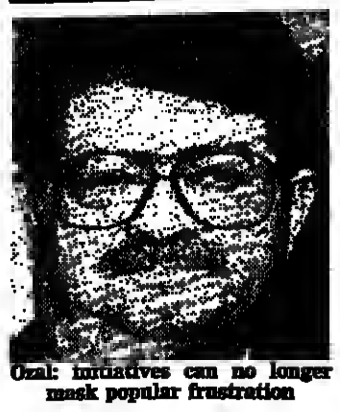
Turkey's capital is a city of two worlds: the safe, ordered life of bureaucrats, academics and professionals; and the insecure, shifting existence of underemployed taxi drivers, pedlars and casual labour outside the pale of the formal economy.

White collar workers and their counterparts in industry, together with small-to-medium scale farmers in co-operatives, are the rank and file of what Prime Minister Mr Turgut Ozal likes to call the central pillar of his society. It is the core of the silent, centre-right majority which first carried him against all expectations to the prime ministry in 1983 in a vote against the military.

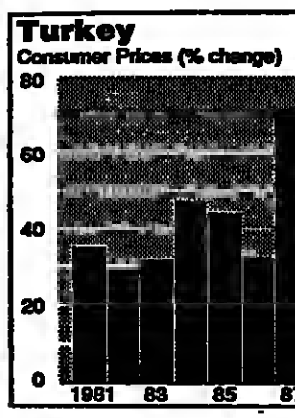
But now this pillar is being eroded by the hangover of relaxed economic controls during an election year in 1987 - an annual inflation rate variously estimated to be around 70 per cent. Lower level bureaucrats and industrial workers have the least access to the informal economy to supplement their dwindling earnings.

Even the State Planning Organisation, the Government's central planning body, estimates that real incomes fell by 30 per cent in the public sector and by 20 per cent in the organised private sector during Mr Ozal's first term. Trade unions say the decline is much larger.

Since Mr Ozal was returned to a second term last November, the economy has been rocked by a series of overdue and swingeing price increases for basic essentials, particularly for fuel. Mr Ozal's largely successful foreign policy initiatives – starting with the rapprochement achieved with Greece at Davos in January – can no longer mask growing popular frustration and sense of grievance. The electorate's mood has changed very quickly.



Ozal: initiatives can no longer mask popular frustration



Tha Government needs to achieve a tangible reduction in inflation before next winter to break the pattern since 1960 of 10-year cycles of economic and social chaos leading to military intervention. It is unlikely, however, that the present groundswell of unrest will result in the scale of violent eruptions that led to the 1980 coup and the harsh repression under military rule – the universities remain purged, trade unionism emasculated and extreme political parties proscribed. Nevertheless, the military are getting edgy in their barracks.

The numbers attending trade union rallies are escalating in alarming proportions. Random incidents, such as the peasant woman who threw herself in front of Mr Ozal recently screaming for bread, and the man on a monthly pittance of TL50,000 ($40 - the official minimum wage is TL74,000) who paraded through the streets of Istanbul clad only in newspaper in protest, have inflamed popular anger.

This year could see a resurgence of the main opposition Social Democratic Populist Party if it can resolve its leadership difficulties and successfully complete an overhaul of its policies. It has already pulled level with the ruling Motherland Party in opinion polls. The True Path Party, led by former premier Mr Suleyman Demirel, is also fast making up ground.

Within the ruling party there is a groundswell of grassroots dissent which has been captured and articulated by the leader of the party's fundamentalist wing, Mr Mehmet Kececiler. He has clashed openly with the party's liberal wing and has called for a cabinet reshuffle after the party congress in June – his inclusion in the cabinet after the elections was vetoed by the secularist President Kenan Evren.

The Government has been strafed too by business organisations because its real interest rate policy has resulted in extortionate borrowing costs to industry. Once strongly supportive, the big business Turkish Industrialists and Businessmen's Association claimed in a recent report that the state's greed for savings had starved the private sector of finance. The influential Istanbul Chamber of Commerce and Industry has also voiced strong criticism that the Government has hamstrung industry.

Recovery of the lost ground in the Government's structural adjustment programme depends on the triumvirate of Mr Rusdu Saracoglu, the central bank governor, Mr Yavuz Canevi, the treasury chief, and Mr Ali Tigrel, head of the state planning organisation. They have combined to slash public spending and project borrowing after winning a struggle with the expansionist political faction within the higher planning council. The result has been cancellation or deferment of large development projects, mostly being sought by foreign-led contracting groups.

If the triumvirate can hold this line, economists think there is a good chance the Government will be able to achieve its reduced growth target of 5 per cent this year compared with the final estimate of 7.4 per cent in 1987. Last year's growth rate was unexpectedly high, so much so that Mr Tigrel said recently that the Government's 1988 targets would have to be revised.

The price of clawing back expansion, however, will probably be an inflation rate of 50 per cent for the year, rather than the Government's 33 per cent target. There is also a crushing burden of foreign debt totalling $38.8bn at the end of 1987 – on which $7.2bn in interest and principal has to be paid this year.

Jittery foreign creditors were presented with a medium-term plan of action in March. This essentially aims to slow the rate of increase in external debt – which will total $41.6bn at the end of the programme in 1991 – by reducing the current account deficit. By 1991 as well, the plan envisages inflation will have fallen to 20 per cent.

Some bankers have treated the plan with polite scepticism, especially its finding that Turkey will be able to get by without at least a partial rescheduling. But there is no doubt that the current account is the Government's major economic success story.

On the strength of a successful export drive, the current account narrowed by 35 per cent in 1987 to $987m. By 1991, according to the medium-term programme, it will have fallen to $473m, which officials say is a hedged rather than optimistic forecast.

If the Government can struggle through this year, it could still attain Mr Ozal's dream that, by following the example of Japan and South Korea, Turkey will become a major industrial and trading nation mid-way through the next century.

Canadian Imperial Bank sheds 124 London employees

By Alexander Nicoll in London

CANADIAN Imperial Bank of Commerce yesterday dismissed 124 employees of its London investment banking operations, representing one of the largest staff cuts in the current shake-out of the overcrowded Eurobond and UK stock markets.

The redundancies are partly because of CIBC's planned acquisition of a controlling interest in Wood Gundy, the Toronto brokerage, which already has a substantial business in London, where it employs 208. But they are also a response to the much lower volume of trading on the London stock market since the October crash.

CIBC is essentially axing its own activities in the international capital markets, while those of Wood Gundy will remain intact at Wood Gundy's London office. They will be expanded under the new name of CIBC Wood Gundy.

Mr Max MacIntyre, the CIBC executive who heads European investment banking operations, said staff had been told some time ago that overlaps with Wood Gundy would mean redundancies.

The 124 people were each told yesterday that they were losing their jobs and left immediately. However, some were told they would be offered jobs at CIBC Wood Gundy.

CIBC Wood Gundy plans to expand its Eurobond business in some areas in which CIBC has had expertise, such as the currently active Australian dollar sector. Both have been active in the Canadian dollar which has also been a popular currency for Eurobonds this year.

CIBC plans to retain its UK stockbroking subsidiary, CIBC Securities (Europe). About 40 of the jobs lost are because of the impact of lower stock market volumes on the firm, which was known as Grenfell & Colegrave until acquired last year.

Mr MacIntyre said CIBC had decided it had to adjust to the lower volumes, given that there was no sign of a pickup in volume six months after the crash. As an agency broker with no market-making business, CIBC Securities depends on the volume of customer business for commission income.

CIBC Ltd, the investment banking subsidiary, had broken even in the Eurobond market since the crash but profits had been hard to come by in the UK stock market, where it had previously been profitable, Mr MacIntyre said.

Wood Gundy agreed to be acquired by CIBC after it lost C$40m ($32.5) through its role in underwriting the Canadian tranche of the UK Government's BP share issue which ran into difficulties in the crash.

Leading brokers quit securities firms

Two leading London-based stockbroking analysts yesterday announced independently their resignations from two securities firms which have suffered serious disruption and loss of key employees since 1986, writes Clive Wolman in London.

Mr Nick Bubb, retail stores analyst, has left Citicorp Scrimgeour Vickers to join Morgan Stanley, the New York-based investment bank which has succeeded in attracting several leading analysts over the past eight months.

Citicorp's operations in London have suffered from a series of changes in top management, including the resignation of Mr Fred Pettit as chief executive a year ago. In what used to be one of the leading stockbroking research firms in London, morale is reported to have been low since the October crash when one equity trader in Dublin lost the bank $25m.

The other resignation is that of Mr Colin Mitchell from Credit Suisse Buckmaster and Moore.

Mr Mitchell, who was an analyst in the brewing sector, gave up research two years ago to form a corporate finance department in Buckmaster and Moore, which was subsequently acquired by Credit Suisse, the Swiss bank.

In the aftermath of the crash, the bank decided to wind down the department and Mr Mitchell declined the offer of returning to work as an analyst.

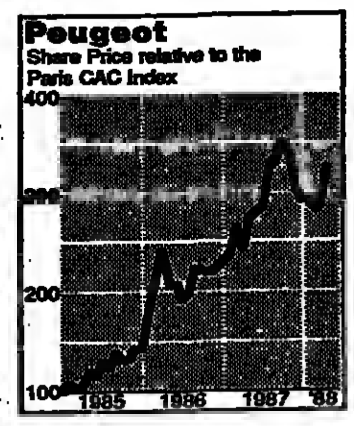
THE LEX COLUMN

Peugeot turns the corner

Gone are the days when the easy way for a European car manufacturer to gain market share was to pick at the ruined chassis of Peugeot. To judge from the motorways in the UK no less than in France, the Peugeot 205 has proved the perfect answer to the problem of excess disposable income among young European professionals – not to mention the problem of Peugeot's profitability.

Yet with the European market still surging forward it would be surprising if Peugeot were not making a fair amount of money, and yesterday's 86 per cent pre-tax profits increase for 1987 pales beside startlingly good figures from nearly all its competitors. More important was the one-third reduction in net debt: with the tax charge expected to rise sharply this year, earnings per share badly need a boost from lower interest charges. Even so, Peugeot remains the most indebted of Europe's volume car makers – Rover and Renault now being bailed out by their respective governments – and a downturn could find it vulnerable.

But the forecast downturn has been overdue for so long that it scarcely bears waiting for, at least before the end of the year. And when the time does come to carve up a shrinking market, Peugeot's models should help make good the deficiencies in the balance sheet. With a prospective multiple of around four times earnings, Peugeot must be one of the cheapest blue chips on the French exchange – and a fair sight cheaper than Fiat on a p/e of nearer nine.



Bank of Scotland

The Bank of Scotland may not be much of a competitor for the big London clearing banks on their home turf, but it is nonetheless an embarrassment to them. A 11 per cent rise in pre-tax profits to £131.3m, after taking a £25.3m exceptional provision for Third World debt, and an underlying rate of return on its assets of 1.5 per cent, testifies to the sorts of profits a UK bank can make, provided that its management does not suffer from any delusions of grandeur.

Admittedly, it may have been more luck than canny Scottish know-how which prevented the bank from wandering too deeply into sovereign lending. But it has been able to turn what could have been a potentially serious problem – its dominant share of a sluggish market – to good advantage. It has protected its local market position by keeping its cost ratios lower than the other clearers, and an 18 per cent growth in its balance sheet shows the success of its strategy of piggy-backing on a variety of non-traditional distribution channels, in order to tap into the rapidly growing lending markets in the South.

It is far easier for the bank to increase its total UK market share from 4½ per cent to 6 per cent, say, than to expand its Scottish market share from 40 per cent to 50 per cent. Longer term, however, the bank needs to move overseas if it is to maintain its above average growth in a mature UK economy. It may command a premium of 30 per cent to the UK market, but this longer term question explains why its rating is still probably half that of a similar sized US super-regional bank, which is probably no better managed.

Markets

The London equity market may be maintaining its recent independence from Wall Street, but this cuts both ways. There is now a faint feeling that the market has run out of puff. With little guidance in the last few days from either gilts or sterling, the chief source of activity has been what one might term the Rowntree effect. The ramp seems to have died down in the branded consumer sector, and has spent itself in Courtaulds and Sun Life; but last night it put 10 per cent on the price of Storehouse, on the usual confident grounds that there would be a bid this morning.

In stocks too big to be hyped, it is another story. Glaxo is back to its post-crash low, and ICI is precious near it. Some of the underlying weakness will have been due to the opportunistic stream of rights issues in the past couple of weeks. More important, though, the results season for calendar 1987 is drawing to a close, and despite better than expected figures at what could well prove the top of the earnings cycle, the market has signally failed to respond.

When London's attention does switch again to Wall Street, it may not like what it sees. US bond yields are still climbing, and are now close to parity with long gilts. There is also the prospect of the Democrats fixing on their presidential candidate, and the two parties specifying their election stance on fiscal policy. The budget deficit has been supplanted by the trade deficit in the market's mind for quite some time, but it could be due for a come-back.

Hawker Siddeley

The habit of underperformance is evidently deeply ingrained in the Hawker Siddeley share price. There was plenty in yesterday's figures to suggest a new image may be called for, yet the market could not quite believe it and only half the initial 15p gain was sustained.

A near-10 per cent rise in profits despite a £7m currency loss, and the prospect of a similar rise this year after still unkinder currency movements, suggest the success of Hawker's clearly defined move into the lighter end of electrical industry. Through what the company calls "industrial gardening" - pulling out the weeds and planting faster growing species - its shape has changed markedly; the only problem being that the transformation has been so slow that shareholders have barely noticed. With the problems in its signalling and diesel engines businesses now all but resolved, and signs of new younger management taking decisions, it is tempting to argue that Hawker deserves more than a prospective p/e of barely 9.

Whether it will get it is another matter. The market would prefer to see the company use its strong balance sheet to make a bold move, rather than persist in a policy of almost riskless acquisitions in familiar businesses in the US. Such steadiness may mean the shares do no better than track the market, with dullness relieved by the inevitable bid stories. But given Hawker's size and the strength of its defences, it is hard to see such stories coming true.

Israel to permit N-plant inspections

By Andrew Whitley in Jerusalem

ISRAEL has agreed to permit a limited inspection of its nuclear facilities by outside bodies for the first time since it embarked on e top-secret research and development programme 30 years ago.

The programme is widely believed to have achieved its goal of attaining a capability to manufacture nuclear weapons.

The landmark concession, by a state which has always jealously guarded its nuclear secrets, arises out of a complaint by Norway that heavy water delivered to Israel during the 1960s and early 1970s for peaceful purposes may have been put to other uses.

Previous rounds of discussions with Norway on demands that it be given access to the heavy water, in compliance with a 1959 agreement between the two governments, ended in deadlock.

But e delegation currently visiting Israel succeeded in reaching a compromise whereby a system of control and supervision of the heavy water, and the participation of Norwegian representatives, has been agreed upon.

The new control mechanisms, details of which were not disclosed, appear to end a dispute which has soured traditionally close bilateral relations.

According to the state-run Israel Radio, at a later stage supervision will be handed over to the Vienna-based International Atomic Energy Authority, a body Israel previously shunned, under tripartite arrangements still to be worked out.

An Israeli Foreign Ministry spokesman said yesterday that the two countries would hold another round of discussions in the near future to finalise arrangements over the controversial 21 tonnes of heavy water.

Tikkoo cruise ship threatened by government subsidy doubts

BY KEVIN BROWN, TRANSPORT CORRESPONDENT, IN LONDON

A $500m PLAN to build the world's largest cruise ship at Harland and Wolff, the state-owned Belfast shipyard, may not qualify for subsidies from the UK Government's shipbuilding intervention fund, it emerged last night.

The absence of subsidies would almost certainly kill the project, which would provide four years' work for the loss-making yard and prevent cuts of up to 1,500 in the 4,000 workforce.

Harland has exchanged heads of agreement to build the ship for Mr Ravi Tikkoo, the Indian-born entrepreneur, and said on Tuesday that it hoped to receive the final contract in September.

The project is believed to be dependent on a subsidy of around £70m – the maximum of 28 per cent of contract price allowed under the European Community's sixth directive on shipbuilding aids.

Howaver, the directive is designed to help European shipbuilders compete with low-cost competition from the Far East, principally Japan and South Korea.

This principle would not apply to the Harland order because cruise ships are one of the few sectors of the shipbuilding industry in which European yards remain dominant. Japan has built only one small cruise-ferry for export; South Korea has never built a major passenger ship.

The intervention fund could also be used to support a bid by Harland against other EC shipyards, though only at the lowest level of subsidy offered by any of the bidders. However, this provision would not apply either, since the project has been developed jointly by Harland and Mr Tikkoo, and no other shipyard has been invited to tender.

The Northern Ireland Office said it had received no formal notification of costings from Harland, and no indication of the level of subsidy that would be required, despite the publicity given to the launch of the project.

Any application for funds from Harland would be processed by the NIO, which acts as a channel for all public expenditure in the province, rather than by the Trade and Industry Department, which administers the sixth directive rules in Britain.

There would be strong protests from shipbuilding regions in Britain if the NIO applied criteria different from those applied by the DTI to British Shipbuilders, the other state-owned shipbuilder.

The DTI has insisted where intervention fund subsidies have been paid that evidence of competition must be produced.

The European Commission has also made clear its determination to enforce the sixth directive rules. The French Government was recently ordered to cut a FFr175m ($31m) subsidy to Chantiers de l'Atlantique by FFr102m.

Czech reshuffle aims at reform of the economy

THE CZECH Government was formally dissolved yesterday to open the way for a reshuffle aimed at streamlining the country's management of the economy, **Reuter reports from Vienna.**

Western diplomats said that the President, Mr Gustav Husak, and the Foreign Minister, Mr Bohuslav Chnoupek, would be reappointed but that less-prominent figures considered to be incompetent would be dismissed. However, they also said that they did not expect much change in overall policy to deal with the lagging economy.

Mr Miroslav Pavel, the government spokesman, said by telephone from Prague that the current number of 26 ministers would be reduced to 20. "The Government will have a slightly different role in the management of the economy. It (the dissolution) is connected to the economic reform," he said.

The Government will be slimmed by cutting the number of deputy prime ministers and merging five ministries into two. A single Ministry of Metallurgy, Engineering and Electrical Engineering will replace separate ministries, and the ministries of transport and communications will be combined.

A diplomat said: "They are demonstrating that in at least some formal capacity there has been change."

Midi anticipates hostile takeover

Continued from Page 1

have been negotiating other alliances. Some analysts believe that Generali and its allies have already taken their stake above 20 per cent.

In the Midi camp, however, executives doubt that the Italian group will launch a full bid. They believe Generali has been trying, by buying in the market and by its statements, to spoil Midi's convertible issue.

The higher Midi's share price, the lower the number of shares into which the issue can be converted, and the smaller the dilution of Generali's stake.

Midi's shares climbed 5.5 per cent yesterday on the Paris stock market to finish at FFr1,699.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	16	61	Dubrovnik	S	18	64	Malta	S	21	70	Rhodes	S	14	57
Algiers	F	21	70	Edinburgh	R	13	[illegible]	Manchester	F	14	57	Rio de Jo	C	27	80
Amsterdam	C	12	54	Faro	F	22	72	Manila	F	36	97	Rome	R	16	61
Athens	F	16	61	Florence	C	19	66	Melbourne	C	20	68	Salzburg	F	18	[illegible]
Bahrain	C	34	93	Frankfurt	R	13	55	Mexico City	F	29	84	San Francisco	F	11	52
Bangkok	F	35	95	Funchal	F	20	68	Miami	F	30	86	Seoul	S	17	63
Barcelona	S	18	64	Geneva	R	11	52	Milan	F	18	64	Singapore	R	31	88
Beirut	F	18	64	Gibraltar	S	20	68	Montreal	C	5	41	Stockholm	R	2	36
Belfast	F	13	55	Glasgow	C	11	52	Moscow	S	12	54	Strasbourg	R	13	55
Belgrade	S	18	64	Guernsey	S	12	54	Munich	F	18	64	Sydney	F	21	70
Berlin	S	23	73	Helsinki	C	4	39	Nairobi	F	24	75	Taipei	R	21	70
Biarritz	F	17	63	H. Kong	C	31	88	Naples	F	18	64	Tangier	-	-	-
[illegible]															

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Council gives up the fight

Continued from Page 1

against issuing securities in the London capital market.

The council, which issued protests over all three settlements in part because they made no provision for arrears of interest to be paid, has been operating since 1982 from offices in Kent, moving there from the City of London to save money.

Its director of about 10 years, Mr Michael Gough, retired at the end of last year, and Mr French, working three days a week, and a secretary, working two days, constitutes its entireworkforce.

After liquidation – the application has been made to the Department of Trade but not formally approved – its assets of about £700,000 must be directed to a similar organisation, although there are no obvious candidates. It is likely the Foreign Office and the Bank of England will take over its remaining responsibilities towards bondholders.

INTERNATIONAL APPOINTMENTS

Squibb appoints president and board vice chairman

SQUIBB, the large US pharmaceuticals group, has elected Mr Jan Leschly president and chief operating officer and Dr Charles Sanders vice chairman of the board.

Mr Leschly and Dr Sanders were both formerly executive vice presidents and will continue as members of the office of the chief executive, led by Mr Richard M. Furlaud, chairman and chief executive of Squibb. Mr Leschly fills the posts left vacant since Mr Dennis C. Fill moved to become chairman and chief executive of Westmark International when it was spun off from the company at the end of 1986.

"Jan Leschly and Charlie Sanders are outstanding executives who have made major contributions to Squibb's emergence as a leader in the pharmaceutical industry," Mr Furlaud said. "They exemplify the strength, depth and breadth of the Squibb management team that enables us to make such key promotions from within our own organisation."

Mr Furland added: "Mr Leschly has shown superb leadership skills in operations, as well as creative approaches to developing new business opportunities. Dr Sanders has positioned Squibb R & D among the most productive in the pharmaceutical industry, and has built a world class team of scientists at the Squibb institute for medical research."

Having joined the Squibb group in 1979 as a vice president, Mr Leschly served as president of Squibb US from 1981 to 1984, and then was made group vice president of Squibb Corp. with responsibility for the pharmaceutical products group. He became an executive vice president in 1986. Before 1979, he had served with Novo as president of its pharmaceutical division.

Prior to joining Squibb in 1981, Dr Sanders spent 10 years as physician and general director of the Massachusetts General Hospital in Boston and Professor of Medicine at the Affiliated Harvard Medical School. He was elevated from vice president of Squibb to executive vice-president in 1984.

ITT names new president

THE DIVERSIFIED US conglomerate ITT, which has operations on all continents, has named Mr DeRoy C. Thomas president and chief operating officer. He replaces with immediate effect Mr Edmund M. Carpenter, who resigned, Reuter reports from New York.

Mr Carpenter, who was also chief operating officer of ITT *Industrial Products, resigned* to pursue other business interests.

All of his responsibilities are being taken over by Mr Thomas, who was corporate vice-chairman and chief operating officer for ITT's diversified services companies, and has been reporting directly since 1984 to Mr Rand V. Araskog, chairman and chief executive officer.

Mr Thomas, who currently directs $18.5bn of ITT sales and revenues in ITT insurance, Sheraton hotels, communications information services, ITT Rayonier, and ITT financial services, is *assuming similar responsibility* for ITT's automotive, fluid technology, and electronic component businesses.

ITT's defence operations, based in Washington, D.C., will continue to report directly to Mr Araskog. He will also maintain direct responsibility, as chairman of the supervisory board of Alcatel N.V., for ITT's 37 per cent stake in the European-based telecommunications company.

***

THE BOARD of International Business Machines, the world's *largest computer* manufacturer, has elected Mr Lutz Hahne as a vice-president.

Mr Hahne remains director general of planning and technical services for IBM Europe.

London principal for Morgan Stanley

MORGAN STANLEY, a leading New York-based international investment bank, has promoted Mr Neil Anthony Cummins, who is attached to its London branch, from vice-president to principal.

Mr Cummins joined the bank in 1985 as a salesperson in the London office. He was named a vice-president in 1986, with responsibilities as a manager in the International Money Market Department, a role he retains.

Mr Neil Anthony Cummins

Previously, he had been a vice-president at Prudential Bache, Lehman Brothers International, and Mellon Bank. He has been London-based since 1981.

Bank of America forms regional capital markets

BANK OF America, the California-based bank, announced the formation of three regional capital markets operations to serve Europe, the Americas and Asia.

Each will be responsible for trading, merchant banking and investment banking activities in its respective region.

Capital Markets-Europe will be headed by senior vice-president Mr Lewis W. Teel, who will oversee Bank of America International Ltd., a London-based merchant bank subsidiary; the bank's London Trading Centre; and trading, treasury, and merchant banking activities in Europe, Africa and Middle East. Managers for the other two regional capital markets had yet to be named.

Executive vice-president Mr Lewis Coleman, head of BankAmerica Capital Markets, said: "The new regional capital markets units will improve product delivery by placing our senior managers closer to the market, shortening lines of communication, and eliminating a layer of administration."

***

FURTHER TO the London merchant banking reorganisation at the Japanese Sanwa Bank reported last week, the company has appointed Mr Peter B. Lucas assistant general manager and head of its UK Corporate Banking Department.

Other members of the department are: Kichirou Tsuchiro – senior manager; Richard Arscott – manager; Yuhiko Yasunaga – manager; Graeme Gillies – officer; Keith White – officer.

Mr Michael Constant, deputy general manager, and Mr Stuart Harland, assistant general manager, head the International Finance and Special Finance Departments respectively.

***

AT BARCLAYS Denmark AS, the wholly-owned Danish subsidiary of Barclays Bank, one of the "Big Four" UK clearing banks, Mr Erik Toft, 42, has been made the new managing director.

Currently vice-chairman of Lease Europe, Mr Toft's appointment was warmly welcomed by Mr Vagn Anderson, chairman of Barclays Denmark.

"We believe we have gained the services of a man with a proven track record which should enable Barclays Denmark to become a leader in equipment leasing and agricultural and automobile finance."

***

CREDITANSTALT-Bankverein, Austria's leading bank, is appointing as senior advisers to the board with effect from May 1 Mr William H.M. de Gelsey, formerly deputy chairman of Orion Royal Bank, and Dr Hans Hittmair, formerly vice-president and controller of the World Bank.

Accountancy Appointments

"we need international business flair..."

Finance and Accounting Manager

FMCG Business Development with US Multi-national

Staines *c.£30,000 + car*

Our client is a Fortune 500 FMCG corporation, with worldwide operations conducted through local joint ventures, licensees and exports. The UK branch office, led by an experienced General Manager, is the nerve centre for existing operations and business development in the Middle East and further afield.

This challenging role involves working with both established and new partners/associates to ensure that business objectives and reporting norms are met. This essentially commercial, dual role – developmental and control – requires occasional Middle East and US travel.

The position calls for a self-motivated, mature and decisive qualified accountant, probably late 20's to early 30's, who is comfortable with both managing a largely autonomous accounts function and contributing to business development decisions. At least two years' commercial experience of finance and accounting management, with computerised accounts systems, is essential. Knowledge of financial modelling would be a plus.

The competitive remuneration package will include a performance element and a fully expensed 2-litre car. Prospects, either in international finance or in business management, are excellent.

Please reply to Barbara Robertson, in strict confidence, with details of age, career and salary progression, education and qualifications, quoting reference 5103/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL.

Our client is a major plc in the North West with an international reputation for quality, reliability and innovation. Its success reflects the utilisation of sophisticated design and production technology, major capital investment programmes and a policy of employing highly-skilled personnel. As part of its continuing development, the company wishes to increase its financial skills with the following important new appointments.

Finance Manager

c.£20,000

Reporting to the Managing Director of one of the company's major divisions, the post is responsible for handling financial data and advice to key operational management, assisting with commercial decision making and liaising with Group Finance personnel to develop information systems and appropriate administrative controls.

Candidates should be qualified accountants CA or CMA and preferably aged 28-40. They must be able to demonstrate wide financial management experience gained in a manufacturing environment, together with strong inter-personal skills, a strong innovative approach and a high degree of initiative.
Ref: R169

Controller – Overhead Costs

c.£20,000

Reporting to the Chief Accountant, the key objectives are to promote greater awareness of the effects overheads have on financial performance, and to maximise recovery of indirect costs. Major responsibilities will be identifying cost reduction opportunities, developing an appropriate strategy and implementing effective controls. These will require the development of close working relationships with operational management in a variety of product areas.

Candidates should be graduates with a relevant accounting qualification, preferably CMA. Experience in overhead and budgetary control in a complex high technology environment will be an advantage, while initiative, an analytical mind and well developed inter-personal skills will be essential to success.
Ref: R168.

Both appointments offer excellent salary and benefits packages, including relocation, together with longer term career development opportunities in this forward-looking company, committed to excellence in its people and products. Please write in confidence with full career, personal and salary details, quoting the appropriate reference number, to:
Derran Sewell, Corporate Resourcing, Arthur Young Management Consultants, Commercial Union House, Albert Square, Manchester M2 6LP.

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Young Chartered Accountant

International Group Role
N.W. Surrey
c£25,000 plus car and benefits

The international investment arm of a major overseas public company is building on its impressive growth record through the development of existing interests and by further acquisitions. This has created a new opportunity for a young qualified accountant to join its small, highly professional head office team.

Working closely with the Financial Controller the role will be to monitor investment performance throughout a complex network of companies worldwide and to assist in the identification and investigation of potential acquisitions. Excellent career opportunities could develop to running the finance function of individual companies brought into the group.

Ideally, after qualifying with a 'big 8' firm you will have gained 1-2 years experience in a sophisticated commercial environment. Experience in international consolidations and in computerised systems would be an advantage but above all we are looking for first-rate analytical ability and a clear-thinking, commercial and positive approach.

Please write, enclosing a full CV and salary details, quoting reference MCS/2014 to:
Christopher Bainton
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1. London Bridge
London SE1 9QL

Price Waterhouse

Financial Director

West Midlands £25-30k + Car

Our client is a profitable £25m turnover subsidiary of a major UK-based PLC. The company, which is engaged in the manufacture of consumer durables, is about to embark on a major expansion programme which will place it at the forefront of its market-place over the next 5 years.

They now wish to appoint an exceptional Financial Director who will assume total responsibility for the finance and DP functions and who can play a leading role during this exciting phase of the company's development.

In addition to the usual responsibilities for Financial Planning and Reporting, the successful candidate will also be heavily involved in the strategic planning and policy formulation process. The DP function is currently implementing a fully integrated manufacturing control system.

Candidates, aged probably 30-40, will be Qualified Accountants with a strong track record of achievement in the manufacturing sector.

You should be able to demonstrate a proven ability to manage change along with genuine commercial flair and a good working knowledge of computerised systems.

In return the company can offer you an outstanding challenge, excellent long term career prospects and a generous remuneration package which includes a fully expensed executive car, bonus, share options and relocation expenses where appropriate.

Interested? Write to Dean Gollings BA, ACA, Executive Division, Michael Page Partnership, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST enclosing a comprehensive CV.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Glasgow & Worldwide

SYSTEMS ACCOUNTANT

London **to £30,000 including profit share + car**

Our client is a leading, international property development, investment and management Group which has experienced consistent growth in the last decade. A systems accountant is now required to join the senior accounting team based at the Group's head office in central London.

This is a new appointment with responsibility for the specification, implementation and update of computerised and manual accounting systems, with some involvement in Group consolidation. It will necessitate considerable liaison with a wide range of users and with data processing staff. The position calls for a confident but personable chartered or certified accountant with post qualification commercial experience as a user of computerised systems and with involvement in accounting systems design.

This is a key role within the organisation and presents an opportunity to make a very real contribution to the effectiveness of the accounting function.

Please write in confidence with full career details, quoting ref. 4282 to Rosalba De Lisi.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London, EC4V 5BR

Exceptional opportunities in...

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- Manchester
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- Senior Consultants
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In an increasingly competitive business environment Managers and Directors are faced with powerful forces for change, creating business problems as well as commercial opportunities. Meeting these problems requires specialist skills which may not be readily available within the business.

As one of the leading firms of Management Consultancies our client has developed an enviable reputation for the provision of services across the spectrum of management consultancy, capable of responding rapidly and effectively to client needs.

The substantial and sustained growth of consultancy services has created this exceptional opportunity for ambitious and talented Accountants to join their Financial Management team. The role will encompass assignments in strategic planning, the management of resources and the management and implementation of the finance function.

Candidates should be graduate, qualified Accountants, able to demonstrate outstanding achievement to date in public practice and industry/commerce. Although previous experience in Management Consultancy would be useful but not essential, strong commercial and management skills are vital.

The firm offers a generous remuneration package with relocation expenses where appropriate, together with exceptional career prospects to the highest level. Interested candidates should write to Brian Marren enclosing a comprehensive curriculum vitae and daytime telephone number.

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Deirdre Venables ext 4177

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This is an outstanding opportunity for a qualified Accountant well-versed in the financial nuances of asset leasing, ideally with experience of vehicle leasing and contract hire, to join the board of a company poised for dramatic growth.

Backed by substantial institutional funding and benefitting from a blue-chip client base the company specialises in the highly profitable executive car sector of the business vehicle leasing and contract hire market.

On achievement of the growth objectives the personal rewards for the successful applicant will be considerable as it is intended to float the company on the USM within five years.

Applicants, aged under 45, must possess all-round financial and accounting knowledge with the ability to define and implement the computer systems necessary to control and monitor business activities.

In addition to a basic salary negotiable to £30,000 pa, a 5-series BMW will be provided, together with family BUPA cover and a contributory pension scheme.

In the first instance applicants should send a brief but meaningful cv to Brian Hodges, acting as advisor to the company at the address below. Alternatively telephone Epsom (03727) 44311 for an application form.

Resource & Development Ltd.
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RESOURCE HOUSE, 8A HIGH STREET, EPSOM, SURREY KT19 8AD.

FINANCIAL CONTROLLER (DIRECTOR DESIGNATE)

MIN £30,000 + CAR + OPTIONS *LONDON SW1*

The principal operating subsidiary (T/O c.£30m) of an acquisitive UK plc, the Company is a leader in the contract security industry. We have an outstanding growth record which is projected to continue. Operations are controlled from fourteen profit centres which are being brought onto networked systems.

The Controller will be responsible to the Group Finance Director for all aspects of the finance function (20 staff) and will work as the senior financial specialist with the management team of the company.

We want to meet a qualified accountant, aged 30-40, who has broad financial management experience gained in a fast moving business. Excellent leadership qualities and interpersonal skills and an aptitude for computers are essential. The post will suit someone who likes to work under pressure and wants to progress fast.

Appointment to the Company Board is envisaged in the near future and prospects within the group are excellent. The attractive package includes future share options, a fully expensed executive car and usual plc benefits.

Please write with career details to Edward Dolby, Reliance Security Services Limited, Mountbarrow House, 12 Elizabeth Street, London SW1W 9RB.

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Director of Finance and Administration

Publishing

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Wide ranging responsibilities in a highly-regarded specialist publishing house. A new position created by the rapid growth of the business and its plans for diversification and acquisition.

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◇ Established, successful, blue-chip publisher of specialist reference material for the accounting and legal profession.
◇ Subsidiary of major British group.

THE POSITION
◇ Key task to set up new department providing effective financial reporting and management information systems.
◇ Integrate and develop new mainframe computer.
◇ Member of executive management team. Direct involvement in product development.
◇ Full responsibility for management services/admin.

QUALIFICATIONS
◇ Graduate, qualified accountant, aged early 30s.
◇ At least two years in a commercial role.
◇ Strong computer experience.
◇ Highly numerate with ambition and energy.

COMPENSATION
◇ Attractive base salary and benefits including performance-related bonus and car.
◇ Excellent career prospects.

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Please reply enclosing your cv, quoting Reference G1128 to: 54 Jermyn Street, London SW1Y 6LZ

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For complete details and job spec in relation to the above please send a full c/v to
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85b Albert Road,
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ZAIRE

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Our client is a major public transport enterprise based in southern Zaire, in the centre of the Copper Belt, and employing more than 20,000 staff. Southern Zaire has an attractive climate and offers a good quality of life in a cosmopolitan environment with access to a range of social and sports facilities.

We are seeking a Financial Director who will provide direction and guidance on all financial management and statutory reporting matters, oversee the implementation and maintenance of new accounting and control systems, and ensure the training and development of Zairean personnel, in particular that of the Zairean *Financial Director Senior, with whom* he will work in close collaboration. This is a key appointment within the multi-national senior management team.

Candidates should have a recognised accountancy qualification and a proven track record at a senior level in the management of an accounting function. Fluency in English and French is essential and previous working experience in Africa is strongly preferred.

The appointment will be made on a 3 year contract, financed by the World Bank, and with a possibility of renewal for a further period. A very attractive tax free salary is offered, together with a full range of expatriate benefits, including furnished accommodation, car and driver.

Please write in confidence enclosing full career details, quoting ref. S7889, to Valerie Fairbank.

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- Future possibilities in line functions.
- An organisation committed in general to promoting and developing your future
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- 6 weeks vacation
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We Require
- A mature personality
- Age 25 - 40
- An Accountancy qualification and industrial accountancy or audit experience.
- Practical knowledge of Standard Cost Accounting
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Tel Jayne Szimeth between 9.00 and 12.30 hours Central European Time at 49-69-80431 or at Weekend David Thompson 49-6190 5478
or send your resumé to:
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Finance Opportunities
(Securities Industry)

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This highly prestigious firm is now ideally positioned to succeed as global securities Broker and Market maker. They have the ability to trade in almost any equity in any time zone. They continue to grow and now need to recruit highly motivated finance staff to strengthen the team.

International Management Accountant
c£25,000 plus Car & Bonus
Reporting to the International Controller you will be responsible for developing the Management Information requirements for the International sector. Candidates must be qualified Accountants aged 25 to 30, computer numerate with good written and oral communication skills. (Ref. LM.019.A)

Financial Compliance Manager
c£25,000 plus Car & Bonus
Reporting to the Assistant Director of Finance. This vital role will be responsible for developing computer based compliance control systems. This position will appeal to either qualified Accountants, business graduates, or those qualified by suitable experience. Knowledge of the securities industry would be an advantage. (Ref. LM.019.B)

Finance Staff **£Neg plus Bonus**
Three further positions for bright, ambitious graduate or part-qualified Accountants have been identified in the –
- International Section;
- Compliance Sector;
- UK Financial Control Section.

Experience of the Securities industry would be an advantage and an attractive remuneration package and scope for enhancement is the reward for suitable candidates. (Ref.LM.019.C)

Interested applicants should send a comprehensive curriculum vitae, enclosing details of current salary and a day time telephone number quoting the appropriate reference to Andrew Sales at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

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Accountants in Kent Tiphook plc

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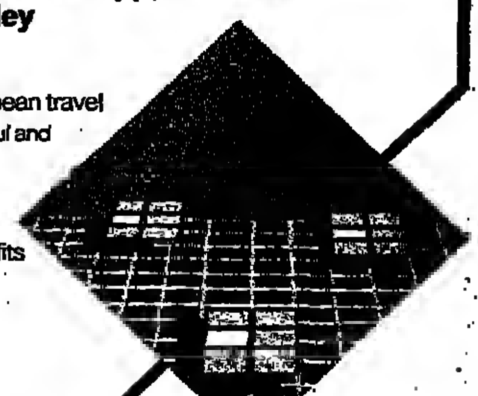
An excellent opportunity to develop your career within Tiphook Container Rental; in this new role in a young finance team. Must be PC and computer literate with good commercial flair, strong management skills, and be part qualified Cima Part II.



Call Jennifer Bowden on 01-460 6060 or write with an up to date CV to:
Tiphook plc, Lancaster House, 7 Elmfield Road, Bromley, Kent BR1 1LT.

EUROPEAN CONTROLLER

West London to £25,000 plus car

Our client is an internationally successful group in the development and marketing of automated business and cash handling systems. The Swedish parent company has chosen the UK as Headquarters for its new European Division which co-ordinates the marketing and finance activities of four European subsidiaries.

Reporting to the Managing Director of this Division, the European Controller will introduce and manage financial control procedures to ensure the accurate monitoring of European operations to the parent group. There will be frequent liaison with Finance Controllers of each subsidiary, working with them in achieving business objectives and integrity of financial information. The Controller will also undertake special projects to expand the European business including review of potential acquisitions.

Candidates will be Qualified Accountants aged 27-40 with a strong financial accounting background, preferably gained in a multi-currency reporting function. The European Headquarters is a small close-knit team offering broad involvement beyond pure finance into administration and marketing functions.

Computer literacy is important, as an early responsibility is the selection and implementation of appropriate systems.

In addition to an attractive salary, our client offers a benefit package in line with the seniority of this new appointment.

Please write in confidence, quoting ref F7232 to:
Jeff Adcock, Clark Whitehill Consultants Limited
25 New Street Square,
London EC4A 3LN

Clark Whitehill Consultants
Executive Selection

Finance & Administration Controller

London NW c£25,000 + car

Our clients are a well established and progressive firm of solicitors, dealing with a variety of legal work, including a large proportion of civil and criminal Legal Aid cases.

Continuing development of the practice has created the need for a Finance & Administration Controller to assume responsibility for all the Firm's accounting, finance and administration, and advise the Partnership on the financial aspects of the Firm's strategy. Reporting to the Partners, the post-holder will be supported by a small dedicated team.

Candidates should be qualified accountants with several years experience in a small to medium sized, growth-orientated *business, preferably but not necessarily a professional practice.* Experience of computerised accounting systems is essential. Probably in their thirties, candidates should be of partnership potential calibre. This is an opportunity to join a young, dynamic organisation, where energy and resourcefulness are highly valued, and where there is a common concern for humanitarian principles.

If you would like to share in the challenges of this exciting practice, please send a full cv including current salary and a *daytime telephone number, quoting reference 1539, to:* Roger Bull, Executive Selection Division, Binder Hamlyn Management Consultants, 8 St Bride Street, London EC4A 4DA.

BinderHamlyn MANAGEMENT CONSULTANTS

FINANCIAL DIRECTOR (DESIGNATE)

West Midlands up to £30,000+Car

Our Client is a private Company involved in a wide range of manufacturing activities.

A major career development opportunity has now arisen within the Company for a Financial Director (Designate). The selected applicant will play a key role in the development of the Company's financial affairs and, subject to performance, may be appointed to Financial Director in the future. Initial emphasis will be placed on developing effective costing systems within each of the manufacturing units and the management of the accounts function and computer systems.

Candidates for this post should be qualified accountants with manufacturing experience including costing systems. Experience of the total finance function is also essential which will have included man-management and working with computer systems. This appointment demands good communication skills in order to deal effectively at all levels within the Company.

Applications for this challenging post should be submitted in writing with full career and salary history, and quoting reference B/110/88 to David Rowley.

KPMG Peat Marwick McLintock
Executive Selection
Peat House, 45 Church Street, Birmingham B3 2DL.

Assistant Group Treasurer

South Beds.

£ attractive salary + car + benefits.

Laporte Industries (Holdings) PLC is a successful, international Group with a current annual turnover well in excess of £400m supplying speciality chemicals and related services to customers throughout the world.

As a result of the move to our new Operational Headquarters at Luton, we are seeking to recruit an Assistant Group Treasurer to join our Group Treasury team.

Reporting to, and deputising for, the Group Treasurer, the duties will encompass a wide range of treasury functions, including bank relationships, debt and currency exposure management, negotiation of funding facilities and the review of new financial instruments and techniques.

You will probably be in your early 30's, have a minimum of 3 years direct experience in international treasury management and be a qualified accountant and/or a member of ACT. A high level of commercial judgement is also important coupled with excellent inter-personal skills and the ability to bring a creative approach to treasury management. Previous experience in treasury related computer applications would be an advantage.

We offer a competitive benefits package, which includes an attractive salary, non contributory pension scheme, a fully expensed company car and relocation assistance where appropriate.

If you have the necessary qualities and experience for this position then you should apply in writing, giving concise career, personal and salary details to:

Michael Lunn, Assistant Group Personnel Manager,

LAPORTE INDUSTRIES LIMITED

Laporte House, Kingsway, Luton, Bedfordshire LU4 8EW.

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This fast expanding and highly acquisitive group of companies requires a recently Qualified Accountant, looking for a Group Head Office Position within a growth orientated commercial environment.

The role is varied and challenging, with excellent medium-term career prospects, covering acquisitions, system development, design and improvement, ad hoc work and 'trouble shooting', as well as main-stream accounting.

The position will involve extensive travel throughout the UK and a significant amount of time could be spent away from Head Office working in current or prospective subsidiaries. If you offer a sound technical background, computer literacy and a commercial, self motivated approach call 01-638 3955 Ref: JF or send a Curriculum Vitae.

For further details, please contact: Accountancy Personnel, 63/65 Moorgate, London EC2R 6BH. Tel: 01-638 3955

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SE1 **c£20,000 Neg + Benefits**

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As Senior Management Accountant you will have responsibility for the London Office accountancy function incorporating:

- Day to day man management.
- Computerised financial and contract ledger with particular emphasis on contract costing and control.
- Management reporting and liaison with senior engineering staff.

If you can combine an accounting qualification (CIMA/ACCA) with experience in or an understanding of contract or job costing, then we would like to hear from you.

For further details, please contact: Accountancy Personnel, 70 Wading Street, London, EC4M 4DD. Tel: 01-236 0657

FINALIST/QUALIFIED

Wilson Wright & Co.

WC2 **£15,000–£18,000**

Wilson Wright & Co a leading 6 partner firm of accountants, with an excellent reputation in the city, is presently recruiting at a senior level to fill a niche caused by recent expansion.

You will work as a senior member of the audit staff, supervising juniors where necessary, and representing the firm at clients. You will report in most cases direct to a partner and will be expected to work on your own initiative to ensure that highest standards are maintained. The client base ranges from partnerships to significant companies with turnover in excess of £80m.

You will preferably be a qualified or finalist accountant keen to follow an accelerated career path to the highest level in a respected and friendly practice. Ref: GPS.

For further details, please contact: Accountancy Personnel, 110 Strand, London, WC2R 0AA. Tel: 01-379 6716.

GROUP ACCOUNTANT

UNITED SCIENTIFIC HOLDINGS P.L.C.

SW1 **c£20,000**

Working within the Head Office of a successful and expanding International Design/Manufacturing Group, this is an ideal opportunity for a newly/recently qualified accountant to enhance future career prospects by gaining experience of all aspects of financial/management reporting and treasury procedures in a demanding commercial environment.

It is a high-profile position so excellent communication skills are essential as is a strong business understanding and a flair for technical applications in order to develop micro-computer based financial models.

For further details, please contact: Accountancy Personnel, 8-8 Glen House, Stag Place, Victoria, SW1E 5AG. Tel: 01 828 7555.

Chartered Accountant/ Secretary

c.£24,000 + bonus + executive car

A medium sized plc based in South-East England, with a turnover in excess of £40m, is now actively planning the next phase of its development by acquisition as well as organic growth.

In this newly created position of Controller & Secretary, you will report to the Group Finance Director and join a small head office team where, after assessing existing procedures to ensure their adequacy during a period of growth, you will be closely involved in implementing group development plans. Evaluating investment opportunities and recommending appropriate funding arrangements will require a major contribution and, within 12 months, you will assume the role of Company Secretary which includes the administration of the pension scheme and the provision of advice to its trustees.

A qualified chartered accountant or secretary with at least 2 years' relevant post-qualifying experience, you should possess a good working knowledge of taxation, *experience of financing arrangements and the* ability to work effectively with professional advisors. A clear communicator, you believe in a participative management style and recognise the vital contribution of strong administration and control of resources.

In addition to basic salary, the usual range of benefits includes bonus, car and relocation assistance where appropriate.

Please send full cv which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent.) Ref: T5019/FT.

PA Advertising

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874.

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Executive Search and Selection Consultants

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A MEMBER OF BLUE ARROW PLC

Director of Finance/Administration

Bristol, ***c £33,000, Bonus, Car***

This new position has been created as part of a major restructuring of one of the UK's leading companies in the field of private medical insurance. With an enviable growth record and turnover running at £1m per week it now seeks someone truly exceptional to help take it a stage further. Reporting to the Managing Director and a key member of the Operating Committee you will be the inspirational driving force behind a radical review of methods and resources throughout the company. We are looking for a Chartered Accountant, computer literate, with a background of success in a complex business. Above all you will need to be a well founded individual with first-class intellectual and people skills. Terms of employment are excellent and include a highly attractive bonus scheme.

K. Towrow, **Hoggett Bowers plc**, *30 Queen Square,*
BRISTOL, *BS1 4ND*, **0272-298433.** *Ref: D11049/FT.*

Divisional Finance Director

Leisure Industry

Greater London, ***c £30,000, Car, Excellent Benefits***

This is a genuine opportunity to make a real contribution to the continuing success of a £15m turnover Division in the role of Finance Director of a highly profitable autonomous division comprising of 3 companies. Tha Division is part of one of the most exciting and diverse UK Groups whose track record for acquisitive and organic growth is well established. Reporting to the Divisional Managing Director, responsibilities include the day to day control of the finance function to ensure that financial procedures and reporting requirements are adhered to according to Group directive with particular emphasis on strong financial controls; tha reviewing and improvement of stock control and the implementation of a new IBM System 36 installation. Candidates, aged 28-40, will be qualified accountants and must have good management skills, a high degree of commercial awareness and be competent and efficient financial practitioners. Experience of international financial arrangements would be useful due to the Divisions importing involvement. Prospects within the Group are excellent and the position offers an attractive remuneration package including relocation assistance.

Mrs. J. Cull, **Hoggett Bowers plc**, *St. James's Court, 30 Brown Street.*
MANCHESTER, *M2 2JF*, **061-832 3500.** *Ref: M16026/FT.*

Financial Director

Manufacturing Engineering

North East, ***£28,000, Car, Bonus,***

Major restructuring and investment in research and development has provided a solid foundation for this autonomous company, part of a major engineering group, to profitably compete in both its UK and international markets. Reporting to the Managing Director, the appointee will take full responsibility for the control of all management accounting systems and the strategic financial planning procedures of the business, ensuring immediate profitability is maximised and long term development of the organisation is continued on a sound financial basis. Candidates aged 30-35, will be commercially aware qualified accountants, with a proven track record of achievement in financial control and systems development in a medium sized manufacturing environment. High levels of drive and determinatinn are essential for success, in addition to proven leadership skills and the ambition to ultimately achieve general management based solely on results at this senior board appointment. The prospects for career advancement within the multinational parent organisation are restricted only by the candidates performance.

N.B. Parslow, **Hoggett Bowers plc**, *4 Mosley Street.*
NEWCASTLE-UPON-TYNE, *NE1 1DE*, **091-232 7455.** *Ref: N17023/FT.*

Controller, Finance & Administration

Board Potential

Construction Products

Derbys, ***Negotiable Salary, Car, Benefits***

This challenging and broad ranging role is with the well established UK market leader of specialist structural floorings for the construction industry. Profitable, successful and part of a substantial publicly quoted group, the company guards its market share through competitive pricing, excellent quality of product, technical innovation and high customer service. Reporting to the Managing Director, the position heads up a team responsible for finance, DP, company secretarial, personnel and administration and will participate with senior management in the commercial development of the company. Candidates will be qualified Accountants in their 30's with sound finance, administration and systems experience and computer literate. A background in project based manufacturing would be ideal and the ability to communicate effectively with technical and engineering staff is essential. Prospects exist for progression to board level and could include opportunities in the parent plc group.

S.J.A. Nicholson, **Hoggett Bowers plc**, *1/2 Hanover Street,*
LONDON, *W1R 9WB*, **01-734 6852.** *Ref: H18021/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Financial Controller

London *c.£23,000 + generous benefits*

My Client is a large, complex Group of Service companies of international repute, operating in a glamorous industry. As a result of expansion and internal promotions, they now seek a young (aged under 30 years) Chartered or Certified Accountant.

Your activities will be wide ranging both technically and geographically, and you will have functional responsibility for a small team. You will report to the Finance Manager and will be based near Holborn. Your responsibilities will include systems development and implementation, special projects, financial accounting, taxation and guiding overseas General Management in financial matters. Visits to overseas operations will occasionally be necessary.

This is a first-class opportunity for a young accountant to build a career and gain broad international experience in a sophisticated Group.

For an initial discussion telephone Colin Sworder on 0372-65066 day or evening, or send your C.V. to me c/o Robert Marshall Advertising Limited, 44 Wellington Street, London WC2E 7DJ.

EUROPEAN TROUBLESHOOTER

ACA's 23-33 **Neg. c. £25,000 +**

Our client is a major corporation based in SURREY with extensive interests in most European countries.

There are currently 3 vacancies for candidates with strong professional backgrounds, particularly young men and women who have already worked in EUROPE or in any OVERSEAS location for whom travel and being part of a well organised and motivated team hold attraction.

A second European language facility in ITALIAN, NORWEIGIAN, GERMAN, DUTCH or FRENCH would be advantageous and explicit assistance is available from the company for linguistic improvement.

The company operates at the forefront of modern accounting technology and provides a "FINISHING SCHOOL ENVIRONMENT" for the BUSINESS ORIENTATED ACCOUNTANT.

Please telephone in the first instance and send your C.V. to:

GEORGE D. MAXWELL, Managing Director

ACCOUNTANCY APPOINTMENTS EUROPE, 1-3 Mortimer St, London W1N 7RH

Tel: 01-580 7739/7895 (direct) 01-637 5277 ext 281/282

CORPORATE FINANCE

City **£25-50,000 + Car**

This leading UK merchant bank is looking to grow its Corporate Finance team. You will be involved in mergers, acquisitions, fund raising, management buyouts etc. at trainee, manager or assistant director level. Excellent career in an international environment. You must be a qualified accountant (24-29) or have relevant experience. Ref: JB.

MANAGEMENT CONSULTANCY

London Base **to £40,000 + Car**

We are currently recruiting for several clients, who are seeking high calibre graduate accountants/MBA's (aged 24-32). Opportunities are available in systems, strategy and commercial consultancy for adaptable self-starters with good interpersonal as well as analytical skills. Ref: SK.

ASST. TO F.D. – STOCKBROKING

City **to £30,000 + Car**

One of the City's most prestigious stockbroking firms seeks to recruit a new finance manager (24-35). Reporting to the F.D., you will lead a small team responsible for all financial reporting for the firm's UK operations. Excellent opportunities in a range of areas. Ref: HF.

INTERNATIONAL REVIEW

London **to £26,000 + Car**

This £3.5 billion T/O Group has come to dominate a number of markets by organic growth and an astute policy of acquisition. They now seek an additional auditor to undertake a high profile operational audit role incorporating international travel. Ref: JE.

RECENTLY QUALIFIED ACA

Central London **£23-25,000 + Car**

Opportunity for a young CA to join the headquarters finance team of a diverse multi-national. You will be involved in financial reporting, monitoring, control and a range of special projects. You will gain an overview of the company's business and will have excellent career development prospects.

CORPORATE STRATEGY

Berks **to £25,000**

An outstanding opportunity with a highly acquisitive major Plc for a young CA (aged 25-30). You will be involved in targeting/investigating acquisitions, corporate planning and providing the chairman of a major division with a broad range of commercial and financial advice. Excellent promotional prospects. Ref: DR.

For further information on these and other appointments please call John Bowman or Paul Goodman on 01-387 5400 (evenings 01-954 5242) or write to:

financial SELECTION SERVICES

DRAYTON HOUSE, GORDON STREET, BLOOMSBURY LONDON WC1H 0AN TELEPHONE 01-387 5400

Group Management Accountant

(Director Designate)

Thames Valley/M25

c.£24,000 + Car and Benefits

Our client is a fast growing quoted group of companies engaged in electronics and systems manufacturing for defence and industrial applications with a turnover of around £20 million.

Reporting to the Group Finance Director, the Group Management Accountant will be responsible for:

- management of the accounts department
- monthly management accounts
- monitoring and reporting on monthly contract/project cost ledger balances
- improvement of standard costing and batch production costing systems
- problem solving in subsidiary companies
- ad hoc investigations.

The successful candidate will have substantial experience in developing and managing cost control systems, particularly on contracts and R & D work. Candidates should be qualified cost and management accountants with a history of progressively responsible positions in manufacturing companies.

Career prospects with the group are excellent.

If you believe you have the experience and drive required for this important position, please send a brief CV including your day time telephone number to Steve McBride.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division,
186 City Road, London, EC1V 2NU.

Group Accountant

Financial Services
To £25K + Car + Profit Share + Benefits

Based in Central London the Group is involved in all aspects of the administration and management of Unit Trusts and is poised to expand rapidly over the next few years. Consequently the vacancy offers an excellent opportunity for someone wishing to play a key role in a company's growth.

As a senior member of the management team you will take full responsibility for the accounting function with particular emphasis on improving management reporting and computerised accounting systems.

You should be a qualified accountant, probably aged 30/40, who is highly computer literate and has an understanding of unit trust administration work.

Benefits include a subsidised mortgage scheme, non contributory pension, and equity participation once you have established yourself.

To apply, please telephone or write quoting ref. 004 to Shipley Blackburn Executive Selection, 160 New Bond Street, London W1Y 0HR. Tel. 01-409 1371.

Shipley Blackburn

EXECUTIVE SELECTION

A MEMBER OF THE OLR GROUP

Head of Finance and Administration

Central London **c £30K + Car**

Our client, a major international Group whose turnover exceeds £3 billion, is a world leader in the luxury consumer products field. The Company adopts a progressive business approach with a strong emphasis on achieving growth through the successful exploitation of significant brand names.

We are seeking a Head of Finance to join a highly autonomous £20m T/O operating division of the UK subsidiary. *Reporting to the Managing Director*, the key responsibilities will be management and financial reporting, the ongoing development of sophisticated computerised systems, and the management of the customer service function. More importantly, as a key member of the management team, the successful applicant will be expected to make a significant contribution to the overall financial strategy and control of the Division as a whole.

Applications are invited from graduate calibre qualified accountants, aged 28-34, fluent in French, with experience gained in an FMCG environment. Strong communication skills coupled with an assertive but diplomatic approach are necessary to meet the challenge of working in this sales and marketing driven organisation.

To find out more about this exciting opportunity, please phone Tony Martin on 01-831 2000, or write to him enclosing a comprehensive curriculum vitae and daytime telephone number to Executive Division, 39-41 Parker Street, London WC2B 5LH quoting ref. 503.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Glasgow & Worldwide

Group Chief Accountant

Midlands/C. London **c.£40,000 + Exec. Bens.**

We have been retained by a prestigious Plc with international operations within the FMCG sector. The Group has enjoyed sustained organic growth and a successful record of strategic acquisition, resulting in its high level of profitability.

This key position will entail responsibility for the management and statutory reporting at group level and the successful applicant will be expected to play a leading role in the further development of corporate financial planning and Group MIS strategy. An understanding of complex divisional and group objectives, together with the personal stature required to interface with Main Board members are pre-requisites of this appointment.

You will be a qualified accountant, aged 32-45, technically outstanding, who has gained experience within a Head Office environment of a large Group and must have line experience at an operating level. In addition you must have excellent inter-personal skills, man-management experience, and a highly professional 'results orientated' approach.

The post, initially based in the Midlands with short to medium term transition to London, provides an excellent entry-point to a highly successful Plc.

If you are interested in the job profile, meet the candidate requirements and wish to succeed in a major UK Group, please send your curriculum vitae together with a daytime telephone number to Jon Anderson, ACMA, Executive Division, 39-41 Parker Street, London WC2B 5LH, quoting ref. 502.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Glasgow & Worldwide

ASSISTANT GROUP TREASURER

Career Development Role for Young Accountant or MBA

Age 26 - 33 **Major International Group** **c £25 - 30,000 + Car**

Our client is a profitable and expanding major international group operating in diverse branded consumer product sectors with Group headquarters based in Surrey.

It now seeks to expand its centralised Group Treasury team with the appointment of a high calibre Assistant Group Treasurer, in order to develop the treasury management operations within the Group.

Reporting to the Group Treasurer, you will manage your own Assistant and, as well as having general involvement, you will be particularly responsible for the development of foreign exchange exposure management activities within the Group in the UK and overseas, the UK cash/bank balance management operations and a variety of wide-ranging treasury projects.

You will be a university graduate and likely to also be a qualified accountant (or possibly an MBA). In addition, you must be self-motivated and possess a minimum of one year's treasury management exposure together with strong interpersonal skills. The experience and high visibility gained through this role will enable you to positively enhance your career with an international group offering excellent prospects.

Interested individuals should write, enclosing a recent resumé and current remuneration details, to: Peter Flamniger, Director at FMS, 14 Cork Street, London W1X 1PF (Tel: 01 - 491 3431).

FMS
Search and Selection Specialists
for
Financial Management

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Appears on Wednesday and Thursday

£47 s.c.c

Premium Positions

£57 s.c.c.

COMMERCIAL ACCOUNTANT

FOR BUSINESS DEVELOPMENT ROLE

"Applying financial expertise to a dynamic business"

Gtr Manchester **c£25,000 + exec car + benefits**

This well-known consumer durables company is experiencing the exhilaration of success and rapid growth. Their unique blend of design excellence, marketing flair and outstanding service has brought them within a few years to be No 1 in Europe. An impressive record!

Plans are now being drawn up to build substantially on the near £40m turnover that has been achieved so far. This will demand the development of a larger organisation of branch offices – already numbering over 30; it will demand some reorganisation of existing functions and the installation of control systems that will extend profit responsibility throughout all areas of the company.

This is a complex and far-reaching undertaking, but absolutely essential to continuing growth. To handle this role, you will be an experienced and talented business manager, with well-developed skills in three key areas – financial reporting, commercial awareness and interpersonal communications. You should be a qualified accountant, aged up to 35, with good experience of a fast-moving sales/distribution environment. As you will be initiating changes in organisation and procedures, you will need to command excellent powers of persuasion.

The areas you control will be some of the most critical in the company's future progress. This is, then, a significant challenge – short-term and long-term. A challenge which you will enjoy as you – and the company – experience the benefits that flow from your input.

If you would like to pursue this opportunity further, please apply to Dudley Harrop quoting ref no M859.

ASB
ASB RECRUITMENT LTD

Eagle Buildings, 64 Cross Street, Manchester M2 4JQ Tel: 061-834 0618

Trident House, 31-33 Dale Street, Liverpool L2 2HF Tel: 051-236 9373

Merseyside Improved Houses

MIH is a registered housing association with 12,500 tenancies in management and a further 3,000 in Runcorn New Town under negotiation. A staff of 280 deal with finance, development (including architects) and housing management from 6 offices on Merseyside. Capital spending of approximately £15m pa and revenue income of £16m pa is managed by 26 accounts and computer staff. Following the resignation of Miss Fran Button to join a Housing Association Consultancy we require a

DIRECTOR OF FINANCE

c £30,000 + car

A top flight accountant is needed for this unparalleled and exciting challenge.

The successful applicant will be professionally qualified and may have a degree. He or she will be an exceptional manager with the ability to maximise the use of our computer as a management tool, friendly with a sense of humour, able to motivate staff and achieve objectives, contribute to corporate management and relate well to a wide variety of people. He or she will be a non-smoker. The Director of Finance will be part of a Directorate team developing the association's policies and planning its growth in a professional way. The Housing Bill progressing through Parliament foresees a substantial transfer to private finance for the funding of housing associations, therefore the ability to raise large sums of private money is essential.

We positively welcome applications from suitably qualified or experienced people regardless of sex, race, disability or marital status. All suitably qualified job applicants with disabilities are guaranteed an interview for the post.

Application forms and full job description from: Barry Natton FCIOB FIH FBIM, Chief Executive, Merseyside Improved Houses, 46 Wavertree Road, Liverpool L7 1PH

Completed forms to be returned by 12 May 1988

FINANCIAL DIRECTOR

West Yorkshire **to £25,000 + car**

Our Client, a major quoted textiles company, is looking for a financial director for a multi-site garment manufacturing subsidiary with a turnover approaching £20 million.

The position forms the financial arm of a new management team and the succesful candidate will be responsible for all aspects of financial management in this autonomous subsidiary. Major developments are in train to enhance the productivity and commercial direction of the company, one of which will involve the selection and implementation of a new computer system.

Applications are invited from qualified accountants in their 30's or 40's who have held senior financial positions in manufacturing industry. Experience of garment manufacturing is highly desirable. The successful candidate will be a bright self-starter with good communication skills. He or she will have a sound technical ability and strong commercial judgement coupled with a practical and pragmatic approach to business.

For further information write to Alan Coppock FCMA, quoting ref 88/2865 FT at Daniels Bates Partnership Limited, Joseph's Well, Hanover Walk, Park Lane, Leeds LS3 1AB or telephone him on (0532) 461671.

Daniels Bates Partnership
PROFESSIONAL RECRUITMENT

Daniels Bates Partnership Ltd., Joseph's Well, Hanover Walk, Park Lane, Leeds LS3 1AB.
Tel: (0532) 461671.
Also at: Sheffield, Darlington, Manchester, Hull and Middlesbrough

Group Financial Controller

Herts **Package c.£30,000 + car**

Our client is a thriving privately owned international Group, whose core business is manufacturing Specialist Light Engineering products. They have enjoyed consistent profitable growth both at home and abroad and wish to appoint a Group Financial Controller to monitor their performance.

Reporting to the Managing Director, the successful candidate will exercise control over the financial function and play an important part in the continued development of the Company, which will stem from inherent growth and acquisitions.

Candidates, aged 32-38, will be qualified Accountants who can demonstrate energy, strong personal attributes and practical success in planning and managing the finance area in a manufacturing environment. Good computer appreciation, sound commercial experience, and a basic knowledge of the French language are essential requirements to this post.

Interested candidates, who meet these demanding criteria, should send a detailed CV including current salary to Don Day FCA, quoting reference LM018 at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

FINANCE DIRECTOR

For a new, exciting, community based, town management concept, offering an unique opportunity for an enterprising and innovative manager.

c.£30,000 PLUS COMPANY CAR

THAMESMEAD TOWN is managed by an independent Company set up specifically to develop the town, both as a *community based organisation* and as a *commercial undertaking*.

The Board is now seeking a successor to the Finance Director who helped establish the Company, and who is shortly to return to his parent organisation, and invites applications from candidates with suitable professional qualifications.

The successful candidate, who will be appointed an Executive Director of the Company, will be able to demonstrate a record, at a senior level, of skill in all aspects of finance and general management. Reporting to the Chief Executive, the Finance Director heads the Finance and Central Services Department, providing a full range of services including Finance, Personnel, Office Administration, Computer Services, Insurance and Right to Buy.

The location is easily accessible by rail with frequent services from London; the M25 is 5 miles/15 minutes drive from the office.

Please write to the *Personnel Manager*, with a copy of your C.V., at Thamesmead Town, Harrow Manor Way, Thamesmead South, SE2 9XH, or phone him on 01 310 1500 ext 283, for further details and an application form.

Thamesmead Town

Financial Controller

South London : c £25,000 + Car and Benefits

An established international food processing and distribution organisation is about to make a considerable impact on the UK beverage market. Currently investing substantially in marketing, technology and manufacturing capacity, it is building its senior management team, which has generated the need to acquire a first class Financial Controller.

Reporting directly to the Financial Director, for whom there will be the occasional need to deputise, the Controller will manage the day-to-day running of a small department. Other responsibilities will be the preparation of budgets, management information packages and company administration.

Ideal candidates will be in their late twenties, qualified experienced Accountants, ideally from an FMCG background, having previously held a position of responsibility in a major business. As well as technical competence they will have the personality to manage a professional department and the commercial awareness to contribute to the running of the business.

If you feel you can meet this challenge and wish to take advantage of an opportunity to be part of the launch of this exciting venture then write, giving details of your career to date to: John Cornish (Ref. AR. 3021) March Consulting Group, March House, 13 Park Street, Windsor, Berkshire SL4 1LU.

MARCH
CONSULTING GROUP

CENTRAL LONDON GROUP ACCOUNTANT

To £30,000 + Car

A major British plc (t/o £1.5bn), with ambitious plans for future growth, seeks a *graduate* Chartered Accountant with *state-of-the-art accounting* skills to join its corporate finance team. You will be responsible for the preparation and presentation of all group reports, and provide additional support to the treasury, taxation and corporate planning functions. It is intended that promotion to a controllership role will shortly follow. Aged 24-30, you will ideally be seeking your first career move out of the profession.

To find out more about this position, or the range of other opportunities currently available, please contact.

Suzanne Wright on 01 408 1694 (24 hours)
Management Personnel
2 SWALLOW PLACE, LONDON W1R 7AA

Management Personnel
LONDON · GUILDFORD · ST. ALBANS · WINDSOR

COMMERCIAL/ INDUSTRIAL APPOINTMENTS

CORP. FINANCE/ACQUISITIONS
To £30,000 + CAR — C. LONDON
An expanding retail leader wishes to recruit a high calibre individual, aged 26-32, to join a small high profile team. Candidates able to demonstrate a minimum of two years relevant experience will become actively involved in acquisitions review, investigations and corporate financing.

FINANCIAL CONTROLLER
c£25,000 + CAR — BERKS
A major distribution group seeks a self motivated Chartered or Management Accountant aged 27-33 to join their divisional management team undertaking operational reviews of subsidiary company's performance, preparation of divisional operating statements, corporate planning, acquisitions, divestments and ad hoc investigations.

GROUP MANAGEMENT ACCOUNTANT
c£24,000 + CAR — BEDS
Reporting to the Financial Controller of this industrial major you will be responsible for providing a full accounting service for a group of subsidiary companies. Strategic/Business development and acquisitions review providing senior exposure to a qualified CA/CMA/CCA, aged under 35.

BUSINESS DEVELOPMENT
c£22,000 + CAR — N. MIDLANDS
A leading edge company with expanding worldwide operations seek a qualified CIMA aged to 35 with Blue Chip exposure for their high profile business consultancy. A strong personality is essential for this peripatetic role leading to a senior line appointment within an operating subsidiary.

SENIOR FINANCIAL ANALYST
c£20,000 + CAR + MORTGAGE — HERTS
Expanding financial services group seeks a graduate qualified accountant with 2 years PQE. Managing a small professional team you will be involved in financial and economic analyses as well as acquisitions appraisals. A stepping stone to a senior managerial role.

RH ASSOCIATES
For further information regarding these exceptional opportunities, please call Chris Holden on 01-379 6668 (out of hours 01-[illegible]) or write enclosing your C.V. to R H Associates, 18 Exeter Street, London WC2E 7DU.

Financial Controller

£20,000 + Car + Benefits South East London

Our client is a small rapidly-expanding construction company whose core business centres round the private development housing sector. They have enjoyed substantial growth over the past eight years and now wish to appoint a Financial Controller to develop and upgrade the existing financial systems, produce monthly management information and provide detailed budgets and long term forecasts on a regular basis.

Reporting to the Managing Director, and responsible for the small accounts department, the successful candidate will be a qualified Accountant who can demonstrate strong personal attributes and practical success in planning and managing the finance area in a growth situation. Good computer appreciation, systems development and sound commercial experience are essential requirements for this post, as a Board position is envisaged in two to three years.

Interested candidates, who meet these demanding criteria, should send a detailed CV including current salary to Carol Jardine, quoting reference LM666, at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH. Telephone 01-480 7766 ext 4440.

QUALIFIED ACCOUNTANT
BLUE-CHIP OIL COMPANY - LONDON
£25,000 P.A. + CAR + BENEFITS!

Our client is a leading International oil concern with offices worldwide Internal promotion now necessitates the recruitment of a dynamic accountant to take responsibility for approximately six personnel. Other responsibilities will include treasury operations and the preparation of management accounts.

The successful candidate will be aged 25 - 38 years and will be a qualified A.C.C.A. A.C.M.A.C.A.

This position will lead to more senior appointment. Telephone or write to

De Quincey Associates,
Search and Selection Consultants
01 839 2319 - 8.30am - 6pm or
01 985 4840 - out of office hours
34, Jermyn Street, London SW1Y 6H.

DIRECTOR - PROPERTY FINANCE
WEST END — £40,000 +

NYCKELN FINANCE COMPANY LIMITED is the recently established U.K. subsidiary of NYCKELN HOLDING AB - one of Sweden's largest finance companies.

As part of a planned expansion programme, we now wish to recruit a professional banker with entrepreneurial ability who will take responsibility for the further growth of an existing property portfolio.

Applicants (aged c.30-35) should be able to demonstrate a successful track-record over several years in property lending (residential, commercial and development financing) in London and the Home Counties, preferably also with experience of syndications, equity/profit participations or joint ventures. This key position will report to the Managing Director and the attractive compensation package is dependent only on experience and ability.

Please send detailed C.V.'s in confidence to:

Ross W. Tanner, Managing Director,
Nyckeln Finance Company Limited,
27 Hill Street, LONDON W1X 7FB. — Tel No: 499 4731

YOUNG AMBITIOUS GRADUATE
CHARTERED SECRETARY
WANTED
TO COORDINATE
ACQUISITIONS/DIVESTMENTS
IN
DYNAMIC MULTI NATIONAL
FOR MORE DETAILS
01-242 7773
IN CONFIDENCE

YOUNG FINANCIAL CONTROLLER

(DIRECTOR DESIGNATE)

for dynamic and acquisitive group division

East Midlands — Age 25-35 — £20/22000 plus car

This is an opportunity to join a newly-formed division, part of an acquisitive, progressive plc in an embryonic stage of its development. With a turnover approaching £10m, it is about to grow apace, and the new *Divisional M.D. needs* a strong and enthusiastic Accountant to assist him. The objectives are to increase turnover and profitability substantially. The division has two operating businesses, both related to one of the major growth industries of the 80's. Well established in the East Midlands, and now in Scotland, the operations principally manufacture and market for the UK.

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Please enclose a curriculum vitae, two passport size photographs, and the names of two professional referees who can be approached initially.

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The remuneration package will include a bonus element based on results, company car, contributory pension and private health scheme.

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Financial Controller

Hampshire Coast

c£26,000 + car

Our client is a major UK leisure company and a quoted plc. As a direct result of expansion and growth this new appointment is to be made at the centre of a key £50m turnover division.

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AA Insurance, City Wall House, Basing View, Basingstoke, Hants RG21 2EA.

AA INSURANCE

U.K. Treasurer

MAJOR PLC

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Candidates, male or female, must have U.K. orientated treasury experience, ideally gained in a significant corporate treasury unit and be familiar with current financing and hedging techniques. Age is less important than the ability to be a sound and effective member of a small team which works with the most senior management at the Group Head Office and in the Operating Divisions.

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Preferred Age: 24-30. Remuneration will be commensurate with background and experience based on basic salary plus profit share and normal banking benefits.

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The client is a highly profitable organisation specialising in the manufacture and distribution of a specialised range of consumer durables. Profits already approach £1 million, and sustained and rapid growth looks set to continue.

Working very closely with the Managing Director, you will be responsible for the strategic, long-term financial management of the business. Key areas of involvement will be commercial development to drive the company's expansion, and the initiation of new systems for the provision of management information.

You will be qualified, with highly developed commercial awareness and the judgement to interpret financial information. You must possess that combination of strength, tact and credibility to enable you to 'sell' your ideas at the highest level.

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Please list any companies in which you are not interested in a covering letter.

Austin Knight Advertising

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday April 21 1988

AT&T advances by 10% to $492m in first quarter

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN Telephone & Telegraph reported a 10.6 per cent advance in net earnings during the first quarter and posted its highest quarterly revenue growth in two years.

AT&T's net earnings were $492m or 46 cents share, compared with $445m or 40 cents in the first quarter of 1987.

The growth of earnings per share, which came to 15 per cent, was faster than the rise in total earnings because of redemptions of some preferred stock. This reduced preferred dividend requirements for the quarter to $1m from $15m.

Along with its quarterly earnings report, AT&T announced that Mr Robert Allen, formerly the company's president, had been appointed chairman of the board to succeed the late Mr James Olson, who died suddenly on Monday.

Although AT&T's total revenues increased only 2.8 per cent to $8.35bn, Mr Allen said he was encouraged by the fact that this represented the fastest revenue growth in two years.

Excluding rental revenues, which have been declining continuously since the deregulation of the US telephone network, AT&T's sales of services and products climbed 6.6 per cent to $469m. Sales of services, mainly long-distance telephone calls, increased 8.2 per cent to $4.97bn, while product sales rose 3.7 per cent to $2.58bn.

Mr Allen noted that the increase in long-distance revenues was mainly due to higher volumes in the residential and international markets. In the domestic business market, the company was facing mounting competition, he said.

In the light of this competition, the company repeated its frequent call for an end to rate-of-return regulation. This prevents AT&T from lowering its prices aggressively to win business from its smaller long-distance rivals.

AT&T's costs grew closely in line with revenues in the quarter, with total costs rising 2.7 per cent to $7.54bn. Within this total, research and development expenditure grew 12.3 per cent to $821m, while selling and administrative costs increased 4.9 per cent to $2.88bn. This growth was partly offset by a 9 per cent reduction in the cost of rentals.

Phelps Dodge soars to $92m

BY OUR NEW YORK STAFF

PHELPS DODGE, the largest US copper producer, yesterday reported a ninefold increase in its net income for the first quarter, as the sharp rise in prices for the metal worked straight through to profits.

The Phoenix, Arizona, company, which is enjoying its best year in recent history, said earnings rose to $92.5m or $2.49 a share on a fully diluted basis, against $11.7m or 30 cents a share before a $5.1m or 19 cents a share in special tax gains.

Revenues rose 53 per cent to $588.9m.

The strong improvement, which just exceeded Wall Street's expectations and sent the company's stock up $⅝ to $42⅞ yesterday, was primarily due to strong but volatile producer prices. The New York spot price for copper cathodes averaged an exceptionally high $1.09 in the first quarter of this year, against 62 cents in the 1987 fourth quarter.

Earnings from copper operations rose from $20m to $101.3m and would have been higher but for the need to buy in high-priced copper, higher depreciation and a maintenance shutdown for a smelter in New Mexico.

The company's manufacturing and specialty chemicals operations also performed well, with a rise in earnings from $17.6m to $34.8m. The improvement came from strong sales of carbon black by Columbian Chemicals, acquired in 1986, and the inclusion of profits from Accuride, a maker of truck wheels and rims acquired last quarter.

The improved business climate last year caused Phelps Dodge to drop plans to sell shares in its Morenci, Arizona, mine and its entire holding in a lead-silver mine in South Africa. The company said its debt stood at $506.4m at the end of the first quarter, against $398.2m at the end of 1987. The increase is largely due to the $134.2m purchase of Accuride.

Software groups post sharp rises

By Louise Kehoe in San Francisco

LOTUS DEVELOPMENT and Microsoft, the leading US publishers of personal computer software, both reported major quarterly sales and earnings gains, reflecting the boom in personal computer sales.

Microsoft, which has launched several new products in recent months, was the biggest winner in the software market. The company reported a 95 per cent increase in net earnings for its third fiscal quarter ended March 31.

Earnings jumped to $37.3m or 67 cents a share, from $19.1m or 35 cents a share in the same period last year. Sales revenues climbed 65 per cent to $161.8m from $98.4m.

Lotus Development reported record revenues and strong earnings growth for the first quarter. Sales revenues of $117.3m were up 38 per cent, from $84.8m in the same period a year ago.

Net income was $18.3m, a 34 per cent increase from $13.7m in the first quarter of 1987. Earnings per share rose 29 per cent to 40 cents, from 31 cents in the previous year's first quarter.

Mr Jim Manzi, Lotus' president and chief executive, attributed the record revenues to the continued strong demand for the company's popular spreadsheet program, Lotus 1-2-3, as well as significant gains in export sales and the success of the company's venture into information services in which Lotus provides financial database products.

Inco displays sharp turnround to $125m

BY DAVID OWEN IN TORONTO

INCO, the world's largest nickel producer, has reported a startling turnround in quarterly profits, due to much-improved primary metals prices.

The Toronto-based company also declared a second successive increase in quarterly dividend to 20 US cents a common share – up from 10 cents a share.

In all, first-quarter earnings totalled US$125.9m or $1.18 a share, compared with a net loss of $5m or 8 cents a share in the corresponding 1987 period.

Sales advanced 77 per cent to $676m, against $381m in 1987. Earnings in the latest quarter include a $6.1m extraordinary gain from the utilisation of prior years' tax losses.

The company's average realised price for nickel in the period just ended was $3.47 a lb, compared with just $1.80 a year ago. Nickel production totalled 130m lbs – an increase of close to 20 per cent from the 1987 level.

Realised copper prices also rose strongly to $1.04 a lb, against 64 cents a year ago. Copper output, however, fell marginally to 80m lbs.

With the nickel market still going from strength to strength, the company anticipates substantially higher nickel price realisations and earnings in its second quarter. Cash nickel prices on the London Metal Exchange averaged more than $7 a lb in March, raising the first-quarter LME average to $4.90 a lb.

CDC Life Sciences shuns C$140m offer by Merieux

BY ROBERT GIBBENS

CDC LIFE SCIENCES, the Canadian biotech group, has turned down a C$140m (US$114m) bid from Institut Merieux of France for a two-stage takeover of control, saying it is inadequate and not in the best interests of shareholders.

CDC is considering a poison pill defence through a financial restructuring or alternatively management could sell the company or any of its subsidiaries to another party. It says it is already talking to a potential white knight.

CDC is a Toronto-based drug and vaccine manufacturer that includes Connaught Laboratories, famous for the discovery of insulin, and a Montreal contract research firm and a Montreal prescription drug maker.

Merieux, a subsidiary of Rhone Poulenc chemicals group, already owned 12.5 per cent of CDC Life and would make a tender offer for 4.4m shares at C$32 a share to bring its holding to one third. Then it has an option to buy a further 4.4m shares from Quebec's Caisse Depot next year.

Sales boom helps Dow Chemical to best quarter

By James Buchan in New York

DOW CHEMICAL, the second-largest US chemicals group, reported its strongest quarter ever due to continued demand for its commodity and speciality chemicals in the US and a boom in overseas sales.

Dow, which is reaping big but belated benefits from the industry-wide cuts in basic chemical capacity during the 1970s, said income in the first three months of this year more than doubled over the 1987 first quarter – from $246m or $1.28 a share to $507m or $2.67 a share.

Sales revenues were up 32 per cent at $3.98bn, with help from a weaker dollar exchange rate. European sales were $1.32bn, up a full 15 per cent on the record set in the last quarter of 1987. US sales were up 10 per cent over the Christmas quarter.

Overall, the results were sharply ahead of two quarters ago, with sales 11 per cent ahead and earnings up 43 per cent.

Mr Frank Popoff, chief executive of the Midland, Michigan, group, said that every division "contributed to these outstanding results."

However, the main gains appear to have come in basic chemicals and plastics, which are enjoying strong price rises and stable raw materials costs. Prices for such key building blocks as polyethylene and polypropylene and plastics such as styrene and polyvinyl chloride are up by 50 per cent or more over the past year.

"We are experiencing strong demand globally in these products, and while the growth rates may moderate in 1989, we anticipate continued growth into the 1990s," Mr Popoff said.

Operating earnings were $867m, up 83 per cent over the first quarter of 1987. The result was marginally depressed by a special depreciation charge of $61m in the past quarter to write down assets at a crude oil processing plant that have proved useless.

Cray Research stays confident despite decline

By Our New York Staff

CRAY RESEARCH, the world's leading supercomputer maker, has reported a sharp decline in first-quarter sales and profits but said its outlook for the year remained unchanged.

The Minneapolis-based company reported net profits of $26.4m or 85 cents a share, against $57.2m or $1.79 a year earlier.

Cray pointed out that its results fluctuate widely from quarter to quarter as its computers carry large price tags. Last year's first quarter was exceptionally strong and for the year as a whole, Cray earned $147m or $4.65 a share on sales of $687m.

Mr John Rollwagen, chairman, said the latest quarter was stronger than expected because some revenues expected in the second quarter were booked in the first instead.

Cray installed 11 new and three used computer systems during the first quarter. The new machines were worth an average of $12m each.

Fed shows concern as BCI amends offer for Irving

BY OUR NEW YORK STAFF

CONFUSION INTENSIFIED in the takeover battle for Irving Bank yesterday, as Banca Commerciale Italiana announced an amended offer, while the Federal Reserve Board said that it objected to one important aspect of Irving and BCI's friendly merger plan.

Bank of New York, the rival bidder for Irving, immediately stated that the new BCI offer was less attractive than the original proposal unveiled only two days earlier.

Bank of New York also urged shareholders to back its more straightforward tender offer, reckoned by analysts to be worth about $64 a share or $1.1bn in all.

The Fed, in a surprise announcement, said that it was "concerned" about Irving's proposal to boost its regular annual dividend by 86 per cent to $4.50 a share.

The higher dividend was announced on Monday as part of a package of measures designed to win shareholder approval for the white-knight agreement reached between BCI and Irving to thwart the earlier Bank of New York bid.

Shortly after the Fed's statement, BCI and Irving presented a new proposal, confirming that Irving would not raise its dividend except in circumstances "consistent with Federal Reserve policy."

However, the new agreement did not appear to offer shareholders substantially more money in compensation for the possibility of a lower dividend.

BCI, which had originally offered to pay $65 a share for 51 per cent of Irving's equity, is now offering $75 for 45 per cent. The total cash value of the new bid is therefore $627.5m, compared with $617.5m under the original proposal.

Other terms of the offer, including a special $10 cash dividend to all Irving shareholders after the BCI tender is completed, remain unchanged.

But Bank of New York is arguing that the new offer, by committing BCI to buy a smaller total number of shares in Irving, exposes shareholders to greater uncertainty, in the event that Irving's remaining shares go into "free fall" after the BCI tender is completed.

PNC Financial's 13% advance trails other banks' strong gains

BY OUR NEW YORK STAFF

ANOTHER SLEW of quarterly results from leading US commercial banks revealed significant gains for most of the industry.

PNC Financial, which has been one of the country's fastest-growing and most profitable banking institutions, disclosed slightly lower earnings growth than other major banks, albeit from a higher base.

Pittsburgh-based PNC, formed in 1983 by a merger between Pittsburgh National Bank and Provident National Corporation of Philadelphia, has been expanding rapidly by a combination of organic growth and acquisitions.

Its earnings per share have grown at a compound rate of almost 9 per cent in the last five years, and it is now the third biggest US bank in terms of market capitalisation, after Citicorp and J.P. Morgan.

PNC's first-quarter earnings were 13 per cent up at $107.9m, compared with $95.2m in the first quarter of 1987. Earnings per share increased by 10 per cent, to $1.21, from $1.10.

PNC's total assets grew by 16 per cent to $36.6bn and its equity increased by 8.8 per cent to $2.25bn.

First Interstate Bancorp, the nation's eighth-largest bank, reported a 27.3 per cent increase in net profits to $102.6m from $80.5m a year ago.

Earnings per share of $2.20 were 30 per cent higher than the $1.69 recorded in the first quarter of 1987.

The latest earnings included a $15m tax benefit connected with last year's Third World loan loss provisions, but even without this credit, the quarter's net income of $87.6m would have been a record for the company, said Mr J.J.Pinola, the chairman.

The Los Angeles-based company said that its recently acquired Texas bank, the formerly troubled Allied Bancshares, was now operating profitably.

The Texas operations accounted for $585m of the $2.087bn of non-performing assets in First Interstate's consolidated balance sheet, the bank said.

First City Bancorp, the Houston-based bank which last year required massive assistance from the Federal Deposit Insurance Corporation to save it from failure, announced that it had finally completed its FDIC-backed refinancing.

The restructured bank began operations yesterday under the chairmanship of Mr Robert Abboud, the Chicago banker who was brought in by the government regulators to raise $500m in new private capital on top of the $970m in assistance injected by the FDIC.

Shearson Lehman edges ahead to $81m

By Our New York Staff

SHEARSON Lehman Hutton, which is challenging Merrill Lynch for the leading position in the US securities industry, yesterday reported first-quarter earnings which were little changed from the corresponding period a year ago as the company struggled to complete the assimilation of E.F. Hutton.

Shearson, which bought the well-known but troubled retail brokerage firm for $960m last December, said its earnings for the first quarter were $81m or 81 cents a share, against $78m a year ago.

The company was still wholly owned by American Express in the first quarter of 1987, so no per-share figures are available for that period. The big financial services group sold about 31 per cent of the company to Nippon Life and the public last spring.

Revenues for the first quarter were up 47 per cent at $2.5bn, thanks to the inclusion of Hutton. However, consolidation of the two companies brought a host of expenses, including an increase in staff levels and overtime, and costs rose 51 per cent to $2.4bn.

Earnings for the most recent quarter were flattered by a $33m pre-tax gain from the sale of Shearson's interest in McLeod Young Weir. However, Mr Peter Cohen, chairman, said the combined company had "strong results in our worldwide investment banking, asset management, market making and principal transactions areas." He said the results were pleasing given the one-off expenses of the merger and the decline in activity in financial markets.

Investment banking revenues rose from $172m to $357m, as Shearson emerged as a strong force in mergers and acquisitions since the New Year.

Unanswered questions from Pirelli

BY ALAN FRIEDMAN IN MILAN

ITALY'S PIRELLI tyre and cable concern yesterday made an effort to explain a complex reorganisation of its group that is designed to produce a first-time consolidated balance-sheet and protect the Milan-based company from a hostile takeover bid.

But stockbrokers and analysts said the Pirelli plan, which was partly devised by Mediobanca, the Milan merchant bank, has raised as many questions as it answers.

"This is another exercise of boxes inside boxes," said Mr Paolo Azzoni of Studio Albertini. "We don't understand how they are valuing the shares. It's a closed book," said Mr Chris Moore, head of research at SIGE, the investment bank.

Until now, Pirelli's operating companies in 16 countries – which last year produced US$5.6bn of revenues – have been controlled by Italian and Swiss holding vehicles. Under the old structure, Pirelli and Company, the master holding, owned around 18.8 per cent of Pirelli SpA, the main Italian company, and 18 per cent of Société Internationale Pirelli (SIP) SA, the Basle-based holding.

Pirelli SpA and SIP, in turn, owned 37 per cent each in operating subsidiaries, while Pirelli Société Générale SA, another Swiss company, held 18 per cent of the operation, and a further 8 per cent was held by foreign partners.

The new plan will see shareholdings shunted back and forth across the Italo-Swiss border to result in a structure that will have Pirelli and Company owning 35 to 40 per cent of SIP in Basle, which, in turn, will control 45 to 50 per cent of Pirelli SpA, which, in turn, will own 80 per cent of world operations.

But the financial engineering being used to achieve this new structure left the Milan market, where Pirelli SpA shares have been suspended for the past two days after the price jumped by 23 per cent over seven days, in a muddle.

In Switzerland, where SIP shares began trading again yesterday, the market reacted negatively and the price fell by 14 per cent to SFr278 in Zurich. Shares in Milan begin trading again today.

Mr Leopoldo Pirelli, the patriarchal chairman of the group, said yesterday that the reorganisation made Pirelli less vulnerable to hostile bids. "That the group is less vulnerable I think you can read in the numbers. It is a fact," said Mr Pirelli, but, when asked who had been buying up Pirelli stock in recent days, he smiled and said: "I haven't the foggiest idea."

Mr Pirelli then declined to disclose how much stock the Pirelli family owns in Pirelli SpA and further declined to reveal the names of his allies in the "shareholders' control syndicate" that owns 57.6 per cent of Pirelli and Company. It was only when Italian journalists shouted that "this information is already in the public domain in the United States as a result of your SEC filing on the Firestone bid" that Mr Pirelli began reading the names of his allies, all traditional members of the Old Guard of Italian finance.

Among these names was Mediobanca, which, according to Mr Giulio Pampuro, Pirelli's deputy finance director, assisted in the complex arrangement under which Pirelli and Company is to transfer its stake in Pirelli SpA to SIP in Switzerland in exchange for shares in SIP.

The Mediobanca plan, which Pirelli admitted was designed to avoid heavy capital gains tax on the deal, will see Mediobanca's Spafid fiduciary trust issuing a 10-year, 8 per cent bond convertible into the Pirelli SpA shares that Pirelli and Company used to own. SIP will buy this bond. Mediobanca will thus act as the intermediary in order to minimise Pirelli's tax exposure.

INTL. COMPANIES AND FINANCE

Paul Betts on the latest expansion plans of France's biggest publisher

Hachette still hungry for TV

MR JEAN-LUC LAGARDERE, the chairman of Hachette, France's biggest publisher, has developed an insatiable appetite for the media.

Not content with his recent $1.1bn shopping spree in the US, Mr Lagardère still has plans to expand into television, is negotiating the acquisition of a Spanish publisher, and is on the look-out for opportunities to buy daily newspapers in France.

But in the current controversial takeover climate in France, the permanently suntanned Mr Lagardère, who also heads the Matra defence and electronics group, was quick to emphasise that he was not a corporate raider nor, in his own words, "a jackal hovering around its prey."

His aim, he said, was to build Hachette into one of the world's leading communications groups.

Having paid a total of $1.2bn for Grolier (encyclopaedias) and Diamandis (magazines) of the US, Hachette has now become the fourth largest media conglomerate in the world, ranking after Bertelsmann, Capital Cities-ABC, and Time Inc. Mr Lagardère said group sales this year were expected to total FFr22bn ($3.9bn) compared with FFr17bn last year.

Moreover, he said the acquisitions had not drained the company's coffers. Hachette had spent about FFr2bn of its own money on the two purchases, financing the rest with debt. Mr Lagardère said the publishing group still had about FFr300m in liquid funds available which were soon expected to increase to nearly FFr1bn following a new asset-related operation. Under the circumstances, he added, Hachette could easily mobilise between FFr3bn and FFr4bn for other acquisition opportunities.

Hachette this week reported a rise in profits before special items to FFr251.3m last year from FFr215.7m the year before. After the special items, consolidated net profits showed a fall from FFr405.8m to FFr337.5m. Mr Lagardère forecast that profits

Jean-Luc Lagardère: in high spirits after American coup

this year would not decline despite the cost of the two US acquisitions.

The two US takeovers and Hachette's other expansion plans – including the launch of two new magazines in the US, new international editions of Elle, the flagship magazine of the group, and the negotiations in Spain – have now more than consoled Mr Lagardère's disappointment for failing a year ago to win control of TF-1, France's leading television network which the French right-wing Government of Mr Jacques Chirac has now privatised. After an epic battle, control of the channel went to the Bouygues construction group.

In high spirits after his American coup, Mr Lagardère announced a 25 per cent increase in Hachette's dividend this year to FFr20, a 10-for-one stock split as well as a one-for-10 scrip issue. He also said Hachette would seek a listing in New York.

But Mr Lagardère has not given up his television ambitions. At a crowded press conference this week he suggested that a leading international media group was clearly not complete without a major television network. He said he was patient but that Hachette, inevitably, would one day also become a big player in the television game.

Lower profits for Gencor mines

BY JIM JONES IN JOHANNESBURG

THE VULNERABILITY of the South African gold mining industry to rising costs and flat or sinking rand gold prices was given further stress yesterday in the March quarter's reports from the Gencor group.

With a few minor exceptions the 12 producing mines showed lower operating profits, although reduced tax bills helped some to report better net earnings. In turn, the lower profits have led to a more careful husbanding of cash flows, with all but one of the mines reducing capital expenditure.

Some of the older, marginal mines managed to increase gold recovery grades to compensate for lower rand gold prices. On the whole, though, grades have continued to decline.

Buffelsfontein, the largest of the group's mines, suffered a sharp drop in its revenue from uranium. Last year, the mine joined other uranium producers to accelerate sales to beat threatened sanctions in Europe and the US.

Chemwes, the uranium recovery operation managed by the Stilfontein mine, suffered a proportionately lower profit drop than Buffelsfontein. It is apparently immune to sanctions as it is believed to supply the uranium used to fuel the Koeberg power station near Cape Town. According to Eskom, the state-owned electricity utility, South Africa now produces her own nuclear fuel rods.

Stilfontein tumbled into losses as operations were scaled down to conserve remaining ore reserves. Production came to a halt in April when ground movements closed the main operating shaft. Mining is likely to resume in June at the earliest.

St Helena also continues to be affected by repairs to the No 10 shaft damaged by a methane explosion last year. Paradoxically, the disrution has led to higher gold output as mining operations have moved away from the lower-grade areas served by the No 10 shaft to higher-grade, though comparatively limited, areas in the old section of the mine.

St Helena is being used as the vehicle for establishing the new Oryx gold mine, which will make use of some of the shafts of the ill-starred Beisa uranium mine. Oryx is pumping water out of the old Beisa shafts and workings and is sinking its own additional shafts.

GENCOR GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Mar 88	Dec 87	Mar 88	Dec-87	Mar 88	Dec 87
Beatrix	3,280	3,180	19.14	18.29	n/a	n/a
Bracken	653	653	1.93	2.23	11.3	11.6
Buffels	3,626	4,160	16.39	32.06	131.8	205.6
Grootvlei	1,100	1,096	1.48	1.69	10.8	9.7
Kinross	2,931	3,008	18.43	17.10	75.4	67.1
Leslie	835	808	2.76	2.60	11.9	11.1
Marievale	195	207	0.58	1.10	0.7	25.3
St Helena	2,405	2,330	10.22	12.82	58.6	65.3
Stilfontein	1,313	1,773	(3.03)	12.01	23.0	93.5
Unisel	1,687	1,770	10.71	13.16	29.0	33.2
W. Rand Cons	916	980	(0.84)	(1.00)	19.4	(27.6)
Winkelhaak	2,915	3,101	25.39	29.92	62.6	105.5

Earnings per share calculated after capital expenditure. Parentheses = negative

Qantas merger with Air NZ ruled out

By Chris Sherwell in Sydney

A FULL merger between Qantas, the Australian international carrier, and Air New Zealand is not feasible for the foreseeable future, the two Governments agreed yesterday.

The decision demolishes the idea mooted earlier this month to merge and partially privatise the countries' state-owned airlines.

But, after talks with his New Zealand counterpart in Canberra yesterday, Senator Gareth Evans, the Australian Transport and Communications Minister, said his Government and Qantas would consider taking up shares in Air New Zealand.

Mr Richard Prebble, New Zealand's Minister of State-Owned Enterprises, reaffirmed the Wellington government's commitment to its plan to issue shares in Air New Zealand.

He said that if Qantas were to take Air New Zealand shares, "it would cement a trans-Tasman airline business alliance to the benefit of both countries."

The ministers also agreed to study ways the two airlines could work together. "Common booking arrangements, joint marketing and joint purchasing would bring real benefits to both airlines, with lower costs and efficiency gains," they said.

"*A close commercial alliance of the two major regional airlines would also give them much greater bargaining capacity generally, both with other countries and the mega-carriers.*"

As originally envisaged, the merger plan would have brought together three airlines: Qantas, Australian Airlines, which is the state-owned domestic carrier, and Air New Zealand.

But Australian Airlines was quickly dropped from the proposal, apparently after pressure from Ansett Airlines, its privately-owned domestic competitor, which would have sought to fly its own international routes.

Rival bid for NZ insurer

By Our Financial Staff

NATIONAL COMMERCIAL Union (NCU) of Australia, a 46 per cent associate of the UK's Commercial Union Assurance, yesterday offered NZ$191m (US$125.9m) for National Insurance Company of New Zealand.

Guardian Royal Exchange, a rival British insurer, has an 8 per cent stake in National Insurance, which is 90.8 per cent owned by National Pacific Corporation.

The NZ$5.60 a share bid tops a NZ$5.25 offer made last month by NZI Corporation, the leading Anckland-based financial services group. NZI, which is 35 per cent owned by Sir Ron Brierley's Brierley Investments (BIL), is also bidding for CIC Holdings, another Australian insurer where National Insurance owns 29.2 per cent and has accepted that offer.

National Pacific shareholders are to hold an extraordinary meeting on May 2 to consider the NZI offer, which has already received approval by the New Zealand Commerce Commission. Similar clearance is still awaited by NCU, whose bid is also subject to 90 per cent acceptances.

BASF unit to buy Dutch activities from Pennzoil

BY HAIG SIMONIAN IN FRANKFURT

WINTERSHALL, the oil production and refining subsidiary of BASF, the West German chemicals conglomerate, is negotiating to buy a clutch of Dutch offshore activities from Pennzoil, the US oil group.

The planned purchase, for an unknown but "substantial" price according to one industry observer, could indicate a new acquisitiveness at a time of potential change in the German oil industry.

Wintershall has been mentioned as a possible bidder for Deutsche Texaco, the German subsidiary of the US oil group which is restructuring its operations after its $5.6bn settlement with Pennzoil and other creditors.

Last week, Hamburg-based Deutsche Texaco was put up for sale by its US parent for a price likely to be in the region of $1.5bn.

Pennzoil has about a quarter stake in the Noordwinning consortium which is involved in natural gas exploration and production off the Dutch coast. The purchase, which is being made jointly by Wintershall and the Dutch subsidiary of Elf, is particularly attractive as Pennzoil also has the lucrative operating concession for the consortium.

The acquisition will further expand both Wintershall's and Elf's roles in the Dutch offshore business where their Delfzee Petroleum joint venture late last year bought Amax's 20.9 per cent share in the Noordwinning group.

Wintershall yesterday repeated a denial that it is bidding for Deutsche Texaco. This is in spite of powerful superficial attractions. The companies work together in two German domestic exploration consortia, while Deutsche Texaco owns chemicals activities which may be attractive to Wintershall or its parent.

Wintershall does not have a petrol station network of its own, which would remove certain monopoly barriers to a potential bid, though it does own a 15 per cent stake in the Aral chain.

Peugeot to raise dividend after upsurge in profits

BY PAUL BETTS IN PARIS

PEUGEOT, THE French private car group embracing the Peugeot and Citroen marques, almost doubled net profits last year to FFr6.7bn ($1.18bn) from FFr3.59bn in 1986. The group plans to increase its net dividend from FFr10 to FFr17 a share.

The profits, announced yesterday by Mr Jacques Calvet, the chairman, confirm the groups's spectacular recovery. Sales rose from FFr105bn to FFr118bn.

Both the Automobiles Peugeot and Automobiles Citroen divisions reported big gains in earnings last year. Net earnings at Automobiles Peugeot increased to FFr2.84bn from FFr1.2bn, while earnings at Automobiles Citroen surged to FFr1.79bn from FFr599m.

Group cash-flow rose to FFr13.6bn from FFr7.2bn and more than covered capital investments of FFr8.8bn. Profits before tax rose to FFr8.58bn from FFr3.8bn. The group's tax load increased significantly, to FFr1.6bn compared with only FFr155m in 1986.

Peugeot's production break-even point, which a few years ago totalled about 2m cars a year, has continued to come down steadily, to 1.28m cars last year, and is expected to be reduced further to 1.2m cars this year, Mr Calvet said.

He added that the group intended to increase its production capacity by modernising its industrial plants from about 1.9m cars last year to 2.2m cars in 1991 and 2.5m cars in 1993.

The strong improvement in profits and last year's new equity issue also contributed to a one-third reduction in group debts to FFr19bn at the end of last year from a little more than FFr30bn the previous year.

Mr Calvet said the current year had started better than expected as a result of a strong first quarter with the French car market advancing by 8.7 per cent.

Elf in Rhin-Rhone compromise

BY GEORGE GRAHAM IN PARIS

BOLLORE, THE French transport and diversified industrial conglomerate, has reached an agreement with Elf Aquitaine, the oil group which is its rival in the takeover battle for Rhin-Rhone, the Alsatian fuel trader and distributor.

Elf will sell its Rhin-Rhone shares to Bollore, giving it 76 per cent of the company, and drop a FFr470m ($83m) Rhin-Rhone bid.

In return it will take a minimum 35 per cent stake in a company grouping Rhin-Rhone's fuel operations in eastern France with those of Bollore's SCAC subsidiary, and will be the guaranteed supplier of at least three-quarters of the group's fuel requirements.

Elf will also have first option on the remaining Rhin-Rhone fuel operations and its Frans Bonhomme unit, a plastic piping distributor, if they are sold.

Mr Michel Pecqueur, Elf chairman, said Bollore would pay FFr1,575 a share for the 39.5 per cent stake Elf has held in Rhin-Rhone since the 1930s, giving a capital gain of around FFr240m ($42.5m). Bollore will also undertake to buy shares from the remaining minority shareholders at FFr1,700, Elf's final bid level.

Bollore, which made profits of FFr127m in 1986 on turnover of FFr9.2bn, will have invested FFr615m in the acquisition, but still claims to have FFr1.2bn available for further acquisitions.

Burdas to sell stake in Springer

By Haig Simonian in Frankfurt

MR FRANZ BURDA and Mr Frieder Burda, the bothers who together own 26.1 per cent of Axel Springer Verlag, West Germany's leading newspaper group, have agreed to sell their holding to Springer family interests which own a roughly similar stake.

The sale, for an undisclosed sum believed to be over DM500m ($301m), appears to end the squabbling over the Springer group. Last month, Mr Leo Kirch, a Munich film entrepreneur who owns 10 per cent of Springer's shares and claims to speak for a further substantial holding, announced an agreement with the Burdas to pool their stakes.

The deal, which was vehemently opposed by the Springer family interests, was intended eventually to give Mr Kirch and the Burdas control over the group, which has been badly sidetracked by disagreements between its main shareholders.

However, in a further twist, Mr Hubert Burda, a third brother, said yesterday he had a contractual right of first refusal to the stake just sold by his two brothers.

The Burda holding in Springer was acquired in 1988 for about DM250m.

Preussag's venture with Penarroya to go ahead

BY OUR FRANKFURT STAFF

PREUSSAG, THE West German metals group, and Penarroya of France, two of Europe's largest zinc producers, are going ahead with a joint venture, foreshadowed earlier this month, for producing and processing lead, zinc and pure metals.

The new company, to be based in Paris and called Metaleurop, will be owned 45 per cent by Preussag and 20 per cent by Imetal, a French group which was previously Penarroya's controlling shareholder and retains a substantial stake. The remaining shares will be widely placed.

The scheme follows the failure of efforts last year by five leading producers to club together and co-ordinate their output in the European zinc business, which has been plagued by overcapacity in the 1980s.

The joint venture will take shape in a number of stages. Preussag will subscribe to a capital raising by Penarroya, which will then change its name to Metaleurop. The new company will subsequently acquire Preussag's foundaries and processing facilities.

The venture, which still requires formal approval from the shareholders of the two companies as well as from regulators in their home countries and in Brussels, should have assets worth around DM1bn ($602m). However, it will not include Preussag's existing mining operations.

In 1986, Penarroya produced 286,000 tonnes of lead against 163,000 by Preussag, while its output of zinc was 217,000 tonnes compared with Preussag's 176,000 tonnes.

Preussag profits have been severely depressed in the past two years owing to heavy losses in base metals, and the company passed its dividend in 1986. Penarroya returned to the black last year with profits of FFr69.7m ($12.3m), though only after assets sales worth FFr185.1m.

BP takes a pioneering step into Spanish market

BY PETER BRUCE IN MADRID

SPAIN'S PRIVATE oil refiners never needed to be told that the only way to avoid being beaten up by big bullies is to share your sandwich and become a friend.

British Petroleum thus became the first of the Western oil majors to enter Spain's tightly-controlled oil products market on Tuesday when it signed up with Petromed to start a joint distribution and retailing venture here.

The problem for the independent Spanish refiners is that when the Government finally liberalises the fuel market ahead of the European single market in 1992 they would be left with no distribution networks of their own, no retailing experience and few interesting products. At the moment, though some like Repsol Petroleo, Cepsa and Petronor own their own service stations, they all have to sell their product to the monopoly distributor, Campsa, which also has more service stations than anyone else. Product definition barely exists and all prices are controlled by the state.

The prospect of being left facing multinationals like BP, Texaco, Mobil and Shell in a completely open market in less than five years has driven all the important independent refiners to hunt for partners. Petromed now has BP, Cepsa, the biggest independent, has just sold a 10 per cent stake to the International Petroleum Investment Company of Abu Dhabi, and Repsol, the state-owned oil conglomerate due to be part-privatised later this year is trying to sell 10 per cent of itself to Mexico's Pemex.

Campsa serves 4,500 stations on its network though it is excluded from a tiny parallel network open to imported products since 1986. Analysts reckon Spanish service station density would have to more than triple to reach normal European Community standards.

Given that, BPMed, as the new joint venture will be called, appears to have set itself remarkably modest targets. Allowing for the fact that the new partners are going to be careful not to intrude on the monopoly until the law allows, they plan to invest just Pta40bn ($363.6m) over the next 10 years and say it is possible that they would have opened about 250 service stations in the next three to four years. Spain's oil products market totalled 34m tonnes last year, and BPMed believes it will take under 2 per cent of it.

Petromed will receive some 150 service stations anyway, as the monopoly is dismantled, but it is discussing putting these into a partnership with Cepsa. These negotiations have a wider dimension because Petromed is owned by Banco Espanol de Credito (Banesto) and Cepsa belongs to the country's biggest bank, Banco Central.

The two banks are considered possible merger candidates and a search for "synergies" in their big industrial holdings has done little to dampen speculation.

Gencor Group

Gold mining companies' reports for the quarter ended 31 March 1988

All companies mentioned are incorporated in the Republic of South Africa

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Directors: [illegible]

Issued capital – 11 000 000 ordinary shares of R1 each.
– 12 400 156 cumulative preference shares of R1 each.

OPERATING RESULTS Gold		Quarter ended 31.3.1988	Quarter ended 31.12.1987	6 months ended 31.3.1988
Mined	(m²)	[illegible]	[illegible]	[illegible]
Ore milled	(t)	[illegible]	[illegible]	[illegible]
Gold produced	(kg)	[illegible]	[illegible]	[illegible]
Yield	(g/t)	[illegible]	[illegible]	[illegible]
Working revenue	(R/t milled)	[illegible]	[illegible]	[illegible]
Working costs	(R/t milled)	[illegible]	[illegible]	[illegible]
	(R/m² mined)	[illegible]	[illegible]	[illegible]
Working income	(R/t milled)	[illegible]	[illegible]	[illegible]
Gold price received	(R/kg)	[illegible]	[illegible]	[illegible]
	($/oz)	[illegible]	[illegible]	[illegible]
Uranium				
Pulp treated	(t)	[illegible]	[illegible]	[illegible]
Oxide produced	(t)	[illegible]	[illegible]	[illegible]
Yield	(kg/t)	[illegible]	[illegible]	[illegible]

FINANCIAL RESULTS (R'000), DEVELOPMENT – Vaal Reef and limited 'C' Reef: [illegible]

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R16 million.

Dividends
Dividends of 325 cents per ordinary share and 132 cents per cumulative preference share were paid on 29 January 1988.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

In terms of an agreement, 84 percent of the distributable income from the mine is attributable to Beatrix Mines Limited.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987	6 months ended 31.3.1988
Mined	(m²)	[illegible]	[illegible]	[illegible]
Ore milled	(t)	[illegible]	[illegible]	[illegible]
Gold produced	(kg)	[illegible]	[illegible]	[illegible]
Yield	(g/t)	[illegible]	[illegible]	[illegible]
Working revenue	(R/t milled)	[illegible]	[illegible]	[illegible]
Working costs	(R/t milled)	[illegible]	[illegible]	[illegible]
	(R/m² mined)	[illegible]	[illegible]	[illegible]
Working income	(R/t milled)	[illegible]	[illegible]	[illegible]
Gold price received	(R/kg)	[illegible]	[illegible]	[illegible]
	($/oz)	[illegible]	[illegible]	[illegible]

FINANCIAL RESULTS (R'000): [illegible]

DEVELOPMENT – Beatrix Reef				
Advanced	(m)	[illegible]	[illegible]	[illegible]
Advanced on reef	(m)	2 484	1 575	[illegible]
Sampled	(m)	1 633	1 344	4 425
Channel width	(cm)	85	71	62
Average value – gold	(g/t)	14,5	13,3	14,8
–	(cm.g/t)	940	946	918

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R13 million.

Loan repayments
The balance of the loan from Beatrix Mines Limited will be repaid by way of an additional issue of cumulative preference shares during the quarter.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Directors: W.B. Evans (Chairman); J.H.J. Burke, F.S. Clarke; J.C. Jansen van Rensburg; G.S. Lee*; C.R. Netscher; T.L. Pretorius; R.A.D. Wilson.
Alternates: H C.A. Booysen, P.J. Eustace; T.C. Rees; D.J.D. Ross; J.E. van Niekerk.
Honorary President: J Scott (Non-executive)
*British

Issued capital – 13 062 920 shares of 50 cents each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987
Mined	(m²)	51 123	74 416
Ore milled	(t)	278 000	382 000
Gold produced	(kg)	1 312	1 773
Yield	(g/t)	4,7	4,6
Working revenue	(R/t milled)	139,92	138,99
Working costs	(R/t milled)	148,36	119,75
	(R/m² mined)	806,74	914,74
Working income	(R/t milled)	(8,44)	19,24
Gold price received	(R/kg)	29 345	30 106
	($/oz)	453	467

FINANCIAL RESULTS (R'000)		
Working revenue	38 898	53 094
Working costs	41 243	45 746
Working income	(2 345)	7 348
Sundry income – net	1 426	1 555
Tributes and royalties – net	(2 114)	(3 700)
Income before taxation and State's share of income	(3 033)	5 203
Taxation and State's share of income	—	402
Dividend received	—	7 200
Income after taxation and State's share of income	(3 033)	12 001
Capital expenditure/(recoupments)	(25)	(222)
Dividend declared	—	14 369

DEVELOPMENT		Quarter ended 31.3.1988 Vaal Reef	V.C.R.	Quarter ended 31.12.1987 Vaal Reef	V.C.R.
Advanced	(m)	2 197	191	2 435	2 043
Advanced on reef	(m)	377	52	301	576
Sampled	(m)	360	45	210	535
Channel width	(cm)	21,9	38,9	22,4	58,2
Average value					
– gold	(g/t)	50,6	5,7	61,1	4,6
–	(cm.g/t)	1 109	223	1 369	269
– uranium	(kg/t)	1,062	0,063	1,221	0,093
–	(cm.kg/t)	23,25	2,46	27,36	5,39

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R4,5 million.

Dividends
A dividend of 110 cents per share was paid on 29 January 1988.

Dump milling
A total of 60 000 tons (December quarter 89 000 tons) was milled from surface dumps during the quarter.

Scale of operations
The changed results reflect the scaling down of operations as mentioned in the annual report.

Chemwes Limited

Company Registration No. 64/02378/06

(A subsidiary of Stilfontein Gold Mining Company Limited)

Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; J.C. Jansen van Rensburg; G.S. Lee*; N.C. Officer; T.L. Pretorius, R.A.D. Wilson.
Alternates: H.C.A. Booysen; P.J. Eustace; T.C. Rees; D.J.D. Ross; J.E. van Niekerk.
*British

Issued capital – 1 000 shares of R1 each.

OPERATING RESULTS Uranium		Quarter ended 31.3.1988	Quarter ended 31.12.1987
Pulp treated	(t)	860 000	886 000
Oxide produced	(t)	115,5	108,2
Yield	(kg/t)	0,135	0,122
FINANCIAL RESULTS (R'000)			
Net income after taxation		3 087	4 400
Capital expenditure		24	768
Dividend declared			9 000

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R0,2 million.

KINROSS Mines Limited

Company Registration No. 63/06226/06

Directors: [illegible]

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987	6 months ended 31.3.1988
Mined	(m²)	121 825	135 478	257 303
Ore milled	(t)	[illegible]	[illegible]	[illegible]
Gold produced	(kg)	[illegible]	[illegible]	[illegible]
Yield	(g/t)	[illegible]	[illegible]	[illegible]
Working revenue	(R/t milled)	[illegible]	[illegible]	[illegible]
Working costs	(R/t milled)	[illegible]	[illegible]	[illegible]
	(R/m² mined)	[illegible]	[illegible]	[illegible]
Working income	(R/t milled)	[illegible]	[illegible]	[illegible]
Gold price received	(R/kg)	[illegible]	[illegible]	[illegible]
	($/oz)	[illegible]	[illegible]	[illegible]

FINANCIAL RESULTS (R'000): [illegible]

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	[illegible]	[illegible]	6 880
Advanced on reef	(m)	[illegible]	[illegible]	1 673
Sampled	(m)	[illegible]	[illegible]	1 694
Channel width	(cm)	[illegible]	[illegible]	41
Average value – gold	(g/t)	[illegible]	[illegible]	17,8
–	(cm.g/t)	[illegible]	[illegible]	734

ORE RESERVES as at 31 March 1988

		Available	Unavailable	Inaccessible	Total
Tons	(000's)	[illegible]	[illegible]	[illegible]	7 220
Stope width	(cm)	[illegible]	[illegible]	[illegible]	111
Value – gold	(g/t)	[illegible]	[illegible]	[illegible]	8,9
–	(cm.g/t)	[illegible]	[illegible]	[illegible]	981

The ore reserve pay limit was calculated at an estimated gold price of R27 000/kg.

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R16 million.

Dividends
On 25 February 1988 dividend No. 40 of 130 cents per share was declared payable to shareholders registered on 11 March 1988. Dividend warrants will be posted on 29 April 1988.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Directors: S.P. Eale (Chairman); A.D. Botha; Dr. J.J. le R. Cilliers; F.S. Clarke; P.J. Cronshaw*; W.B. Evans; J.G.A. Jump*; Dr. J. Kenyon*; R.R. Lavelle**; N.C. Officer.
Alternates: E.K. Bartlett; J.B. Greene; G.C. Krafft; G. Maude*; T.J. Meade***; A.W. Paterson*; T.C. Rees; T.L. Steenkamp.
*British **American ***Irish

Issued capital – 28 000 000 shares of no par value.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987	6 months ended 31.3.1988
Mined	(m²)	45 452	53 237	98 689
Ore milled	(t)	298 000	302 000	600 000
Gold produced	(kg)	1 687	1 770	3 457
Yield	(g/t)	5,7	5,9	5,8
Working revenue	(R/t milled)	173,23	182,31	177,80
Working costs	(R/t milled)	94,15	90,09	92,11
	(R/m² mined)	617,29	511,06	559,99
Working income	(R/t milled)	79,08	92,22	85,69
Gold price received	(R/kg)	29 947	30 178	30 065
	($/oz)	464	470	468

FINANCIAL RESULTS (R'000)			
Working revenue	51 622	55 056	106 678
Working costs	28 057	27 207	55 264
Working income	23 565	27 849	51 414
Sundry income – net	1 166	1 158	2 324
Milling fee	(1 841)	(1 701)	(3 542)
Income before taxation and State's share of income	22 890	27 306	50 196
Taxation and State's share of income	12 176	14 145	26 321
Income after taxation and State's share of income	10 714	13 161	23 875
Capital expenditure	2 598	3 862	6 460
Dividend declared	18 200	—	18 200

DEVELOPMENT		Quarter ended 31.3.1988 Basal Reef	Leader Reef	Middle Reef	Quarter ended 31.12.1987 Basal Reef	Leader Reef	Middle Reef	6 months ended 31.3.1988 Basal Reef	Leader Reef	Middle Reef
Advanced	(m)	1 481	459	95	1 434	664	76	2 915	1 123	170
Advanced on reef	(m)	210	330	27	222	554	35	432	884	62
Sampled	(m)	212	381	27	289	400	55	501	781	82
Channel width	(cm)	98	215	94	126	212	88	114	214	87
Average value										
– gold	(g/t)	12,7	3,5	8,2	12,6	3,5	2,2	12,6	3,5	4,4
–	(cm.g/t)	1 246	759	770	1 592	737	196	1 440	746	384

ORE RESERVES as at 31 March 1988

		Available	Unavailable	Inaccessible	Total
Tons	(000's)	2 270	250	260	2 780
Stope width	(cm)	188	176	193	187
Value – gold	(g/t)	8,8	11,4	7,3	8,8
–	(cm.g/t)	1 646	1 787	1 400	1 643

The ore reserve pay limit was calculated at an estimated gold price of R27 000/kg.

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R10 million.

Dividends
On 25 February 1988 dividend No. 17 of 65 cents per share was declared payable to shareholders registered on 11 March 1988. Dividend warrants will be posted on 29 April 1988.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Directors: S.P. Eale (Chairman); F.S. Clarke; W.B. Evans; E.P. Gush; L. Hewitt; K.M. Hosking; C.G. Knobbs; G. Maude*; T.J. Meade**; C.R. Netscher.
Alternates: A.D. Botha; J.H.J. Burke; C.T.S. Dempsey; P.J. Eustace; G.C. Krafft; H.G. Mosenthal; N.C. Officer; S.W. van der Colf; G.W. Woodward.
*British **Irish

Issued capital – 8 825 000 ordinary shares of R1 each.
3 825 036 'A' cumulative preference shares of R1 each.
3 825 036 'B' cumulative preference shares of R1 each.
2 465 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987
Mined	(m²)	115 584	127 480
Ore milled	(t)	526 000	552 000
Gold produced	(kg)	2 405	2 330
Yield	(g/t)	4,6	4,2
Working revenue	(R/t milled)	137,16	128,53
Working costs	(R/t milled)	115,85	110,89
	(R/m² mined)	526,28	480,11
Working income	(R/t milled)	21,31	17,64
Gold price received	(R/kg)	29 946	30 392
	($/oz)	464	470

FINANCIAL RESULTS (R'000)		
Working revenue	72 028	70 949
Working costs	60 838	61 214
Working income	11 188	9 735
Sundry income – net	2 652	4 855
Income before taxation and State's share of income	13 840	14 590
Taxation and State's share of income	3 622	1 774
Income after taxation and State's share of income	10 218	12 816
Capital expenditure	4 357	7 493
Dividend declared	—	8 283

DEVELOPMENT		Quarter ended 31.3.1988 Basal Reef	Leader Reef	Quarter ended 31.12.1987 Basal Reef	Leader Reef
Advanced	(m)	2 043	270	2 331	840
Advanced on reef	(m)	272	213	380	467
Sampled	(m)	395	281	351	417
Channel width	(cm)	113	205	131	138
Average value					
– gold	(g/t)	11,9	2,5	8,8	3,5
–	(cm.g/t)	1 354	505	721	485

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R7,5 million.

Dividends
A dividend of 55 cents per ordinary share was paid on 29 January 1988.

Dump milling
A total of 12 282 tons (December quarter 16 000 tons) was milled from surface dumps.

Production
Although production continues to be affected by the repair work at No. 10 Shaft, good progress has been made and the brattice wall will be replaced by May 1988. This will permit the fans at that shaft to be restarted to restore ventilation conditions in the No. 8 Shaft area to normal. Thereafter, shaft steelwork will be replaced and No. 10 Shaft should be recommissioned in September 1988.

Outlook
The improvement in gold output is expected to be maintained. Once No. 10 Shaft is recommissioned there should be an additional production contribution from that area.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Progress report
Dewatering progressed according to schedule and the shaft has been dewatered to below the main pump station.

Work to re-establish the main pump station has started. Construction of the evaporation dams has been completed, and the installation of the new compressors and rock winder is in progress.

Precementation of the two sub-vertical shafts and the surface ventilation shaft at the No. 1 Shaft system as well as the two shafts at the No. 2 Shaft system is progressing satisfactorily.

To date total capital expenditure of R30 million has been incurred.

WINKELHAAK Mines Limited

Company Registration No. 55/03806/06

Directors: N.C. Officer (Chairman); F.S. Clarke; S.P. Eale; P.J. Eustace; W.B. Evans; C.T. Fenton; J.R. Forbes; G. Maude*; H.A. Smith; T.L. Steenkamp.
Alternates: E.K. Bartlett; J.H.J. Burke; K.M. Hosking; J.E. Olivier; T.C. Rees; D.J.D. Ross; J.C. Williams; A.J. Wright.
*British

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987	6 months ended 31.3.1988
Mined	(m²)	142 438	164 057	306 495
Ore milled	(t)	530 000	564 000	1 094 000
Gold produced	(kg)	2 915	3 101	6 016
Yield	(g/t)	5,5	5,5	5,5
Working revenue	(R/t milled)	165,52	167,65	166,74
Working costs	(R/t milled)	97,40	90,32	93,75
	(R/m² mined)	362,43	310,52	334,64
Working income	(R/t milled)	68,12	77,33	72,99
Gold price received	(R/kg)	30 078	30 381	30 234
	($/oz)	463	472	468

FINANCIAL RESULTS (R'000)			
Working revenue	87 729	94 686	182 415
Working costs	51 624	50 943	102 567
Working income	36 105	43 743	79 848
Sundry income – net	181	1 907	2 088
Tribute and royalties – net	(160)	(215)	(375)
Income before taxation and State's share of income	36 126	45 435	81 561
Taxation and State's share of income	10 723	15 518	26 241
Income after taxation and State's share of income	25 403	29 917	55 320
Capital expenditure	17 770	17 062	34 832
Dividend declared	20 706	—	20 706

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	2 753	2 541	5 294
Advanced on reef	(m)	682	632	1 314
Sampled	(m)	688	500	1 188
Channel width	(cm)	49	42	46
Average value – gold	(g/t)	20,0	46,2	30,1
–	(cm.g/t)	981	1 942	1 385

ORE RESERVES as at 31 March 1988

		Available	Unavailable	Inaccessible	Total
Tons	(000's)	6 530	1 860	880	9 270
Stope width	(cm)	111	111	112	111
Value – gold	(g/t)	8,8	8,7	9,4	8,8
–	(cm.g/t)	973	960	1 050	978

The ore reserve pay limit was calculated at an estimated gold price of R27 000/kg.

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R45 million.

Dividends
On 25 February 1988 dividend No. 56 of 170 cents per share was declared payable to shareholders registered on 11 March 1988. Dividend warrants will be posted on 29 April 1988.

No. 6 Shaft System
Equipping of the ventilation shaft is complete and capital development on 4,5 and 6 level has commenced.
The Main Shaft has reached 8 level station elevation and development of the station is in progress.
Both shafts are on budget and schedule.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Directors: N.C. Officer (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; G. Maude*; J.E. Olivier; H.A. Smith; T.L. Steenkamp; M.A. Watson.
Alternates: E.K. Bartlett; B.J. Lewis; C.M. Norval; T.C. Rees; D.J.D. Ross; J.C. Williams.
*British

Issued capital – 16 000 000 shares of 65 cents each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987	6 months ended 31.3.1988
Mined	(m²)	74 320	76 506	150 826
Ore milled	(t)	352 000	356 000	708 000
Gold produced	(kg)	835	808	1 643
Yield	(g/t)	2,3	2,3	2,3
Working revenue	(R/t milled)	71,52	69,80	70,65
Working costs	(R/t milled)	62,55	59,84	61,19
	(R/m² mined)	296,23	278,45	287,21
Working income	(R/t milled)	8,97	9,96	9,46
Gold price received	(R/kg)	30 066	30 365	30 218
	($/oz)	467	468	467

FINANCIAL RESULTS (R'000)			
Working revenue	25 175	24 848	50 023
Working costs	22 016	21 303	43 319
Working income	3 159	3 545	6 704
Sundry income – net	76	17	93
Tribute and royalties – net	1	(6)	(5)
Income before taxation and State's share of income	3 236	3 556	6 792
Taxation and State's share of income	472	954	1 426
Income after taxation and State's share of income	2 764	2 602	5 366
Capital expenditure	868	827	1 695
Dividend declared	4 000	—	4 000

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	2 198	2 234	4 432
Advanced on reef	(m)	513	563	1 076
Sampled	(m)	526	567	1 093
Channel width	(cm)	16	22	19
Average value – gold	(g/t)	22,5	19,5	21,2
–	(cm.g/t)	360	429	402

ORE RESERVES as at 31 March 1988

		Available	Unavailable	Inaccessible	Total
Tons	(000's)	320	320	190	830
Stope width	(cm)	98	98	96	97
Value – gold	(g/t)	7,3	7,9	6,0	7,7
–	(cm.g/t)	712	761	636	715

The ore reserve pay limit was calculated at an estimated gold price of R27 000/kg.

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R2,0 million.

Dividends
On 25 February 1988 dividend No. 47 of 25 cents per share was declared payable to shareholders registered on 11 March 1988. Dividend warrants will be posted on 29 April 1988.

Dump milling
A total of 70 000 tons (December quarter 81 000 tons) was milled from surface dumps.

BRACKEN Mines Limited

Company Registration No. 59/01126/06

Directors: N.C. Officer (Chairman); J.H.J. Burke; F.S. Clarke; P.J. Eustace; W.B. Evans; G. Maude*; J.E. Olivier; H.A. Smith; T.L. Steenkamp; M.A. Watson.
Alternates: E.K. Bartlett; K.M. Hosking; C.M. Norval; T.C. Rees; D.J.D. Ross; J.C. Williams.
*British

Issued capital – 14 000 000 shares of 90 cents each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987	6 months ended 31.3.1988
Mined	(m²)	55 200	60 205	115 405
Ore milled	(t)	223 000	225 000	448 000
Gold produced	(kg)	653	653	1 306
Yield	(g/t)	2,9	2,9	2,9
Working revenue	(R/t milled)	90,06	88,33	89,20
Working costs	(R/t milled)	77,19	74,66	75,92
	(R/m² mined)	311,83	279,03	294,72
Working income	(R/t milled)	12,87	13,67	13,28
Gold price received	(R/kg)	30 283	30 346	30 316
	($/oz)	467	468	468

FINANCIAL RESULTS (R'000)			
Working revenue	20 084	19 875	39 959
Working costs	17 212	16 799	34 011
Working income	2 872	2 076	4 948
Sundry income – net	287	231	518
Tribute and royalties – net	(11)	(10)	(21)
Income before taxation and State's share of income	3 148	2 297	5 445
Taxation and State's share of income	1 223	1 069	2 292
Income after taxation and State's share of income	1 925	1 228	3 153
Capital expenditure	350	600	950
Dividend declared	4 200	—	4 200

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	741	827	1 568
Advanced on reef	(m)	142	201	343
Sampled	(m)	143	192	335
Channel width	(cm)	47	24	34
Average value – gold	(g/t)	12,2	15,3	13,2
–	(cm.g/t)	574	367	456

ORE RESERVES as at 31 March 1988

		Available	Unavailable	Inaccessible	Total
Tons	(000's)	480	250	190	920
Stope width	(cm)	109	103	109	107
Value – gold	(g/t)	5,6	7,0	7,4	6,3
–	(cm.g/t)	610	718	806	675

The ore reserve pay limit was calculated at an estimated gold price of R27 000/kg.

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R1,5 million.

Dividends
On 25 February 1988 dividend No. 51 of 30 cents per share was declared payable to shareholders registered on 11 March 1988. Dividend warrants will be posted on 29 April 1988.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02068/06

Directors: W.B. Evans (Chairman); A.D. Botha; J.H.J. Burke; F.S. Clarke; A.J. du Plessis; J.C. Jansen van Rensburg; M.R. Oberholzer; B.A. Smith.
Alternates: E.K. Bartlett; C.M. Norval; T.C. Rees; D.J.D. Ross.

Issued capital – 11 438 818 stock units of 25 cents each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987
Mined	(m²)	83 197	96 090
Ore milled	(t)	340 000	353 000
Gold produced	(kg)	1 100	1 096
Yield	(g/t)	3,2	3,1
Working revenue	(R/t milled)	96,64	93,10
Working costs	(R/t milled)	92,33	92,29
	(R/m² mined)	377,34	347,51
Working income	(R/t milled)	4,31	0,81
Gold price received	(R/kg)	29 820	30 296
	($/oz)	463	466

FINANCIAL RESULTS (R'000)		
Working revenue	32 857	33 332
Working costs	31 391	33 041
Working income	1 466	291
Sundry income – net	102	(102)
Tribute and royalties – net	18	141
Income before taxation	1 586	330
Taxation	106	(1 362)
Income after taxation	1 480	1 692
Capital expenditure	243	582
Dividend declared	—	4 575

DEVELOPMENT		Quarter ended 31.3.1988 Black Reef	Kimberley Reef	Main Reef	Quarter ended 31.12.1987 Black Reef	Kimberley Reef	Main Reef
Advanced	(m)	74	1 873	147	147	1 421	214
Advanced on reef	(m)	4	667	45	26	809	62
Sampled	(m)	3	671	45	29	609	63
Channel width	(cm)	108	21	15	116	25	27
Average value							
– gold	(g/t)	1,1	17,2	30,0	2,7	15,9	10,7
–	(cm.g/t)	122	362	450	316	397	290

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R1,8 million.

Dividends
A dividend of 40 cents per stock unit was paid on 29 January 1988.

Dump milling
A total of 11 000 tons (December quarter 4 000 tons) was milled from surface dumps.

MARIEVALE Limited

(formerly Marievale Consolidated Mines Limited)

Company Registration No. 05/06778/06

Directors: W.B. Evans (Chairman); A.D. Botha; J.H.J. Burke; F.S. Clarke; A.J. du Plessis; J.C. Jansen van Rensburg; H.G. Mosenthal; N.C. Officer; B.A. Smith.
Alternates: C.M. Norval; M.R. Oberholzer; T.C. Rees; J.V. Roberts; D.J.D. Ross; J.C. Williams.

Issued capital – 55 500 000 ordinary 'S' shares of 25 cents each.
4 500 000 ordinary shares of 25 cent each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987
Mined	(m²)	13 296	12 711
Ore milled	(t)	80 000	64 000
Gold produced	(kg)	196	207
Yield	(g/t)	2,4	3,2
Working revenue	(R/t milled)	73,09	98,66
Working costs	(R/t milled)	66,40	79,61
	(R/m² mined)	399,52	400,83
Working income	(R/t milled)	6,69	19,05
Gold price received	(R/kg)	29 982	30 377
	($/oz)	464	467

FINANCIAL RESULTS (R'000)		
Working revenue	5 847	6 314
Working costs	5 312	5 095
Working income	535	1 219
Sundry income – net	75	(2)
Income before taxation	610	1 217
Taxation	31	120
Income after taxation	579	1 097
Capital expenditure	149	(41)
Dividend declared	—	—

DEVELOPMENT			
Advanced	(m)	277	288
Advanced on reef	(m)	187	123
Sampled	(m)	183	122
Channel width	(cm)	73	101
Average value – gold	(g/t)	6,3	6,6
–	(cm.g/t)	467	669

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R0,2 million.

Dump milling
A total of 31 000 tons (December quarter 4 000 tons) was milled from surface dumps.

Mineral rights
No further transactions in respect of mineral rights have taken place during the quarter.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01978/06

Directors: W.B. Evans (Chairman); F.S. Clarke; P.J. Cook; A.J. du Plessis; J.C. Jansen van Rensburg; G.S. Lee*; H.G. Mosenthal.
Alternates: H.C.A. Booysen; J.H.J. Burke; T.C. Rees; D.J.D. Ross; J.C. Williams.
*British

Issued capital – 4 250 000 ordinary shares of R1 each.
– 25 000 deferred shares of R2 each.

OPERATING RESULTS		Quarter ended 31.3.1988	Quarter ended 31.12.1987
Mined	(m²)	72 053	86 066
Ore milled	(t)	452 000	486 000
Gold produced	(kg)	918	980
Yield	(g/t)	2,0	2,0
Working revenue	(R/t milled)	61,26	61,78
Working costs	(R/t milled)	64,48	64,33
	(R/m² mined)	404,51	359,98
Working income	(R/t milled)	(3,22)	(2,55)
Gold price received	(R/kg)	30 209	30 588
	($/oz)	457	468

FINANCIAL RESULTS (R'000)		
Working revenue	27 689	30 035
Working costs	29 146	31 277
Working income	(1 457)	(1 242)
Sundry income – net	613	477
Tribute and royalties – net	—	(20)
Income before taxation	(844)	(785)
Taxation	—	213
Income after taxation	(844)	(998)
Capital expenditure	256	566
Dividends declared	—	1 133

DEVELOPMENT			
Advanced	(m)	3 728	4 201
Advanced on reef	(m)	1 333	2 161
Sampled	(m)	1 413	2 070
Channel width	(cm)	79	78
Average value – gold	(g/t)	11,6	8,6
–	(cm.g/t)	879	673

REMARKS

Capital expenditure
The latest estimated capital expenditure for the next six months – R1,7 million.

Dividends
Dividends of 20 cents per ordinary share and R11,33 per deferred share were paid on 29 January 1988.

Dump milling
A total of 93 000 tons (December quarter 77 000 tons) of sand from the North Sand Dump and slimes from No. 1 Slimes Dam was treated.

NOTES

1. Development values quoted represent actual results of sampling. No allowance has been made for any adjustments which may be, or were, necessary when estimating ore reserves.
2. All financial figures are unaudited.
3. The quarterly reports have been approved and signed on behalf of the respective companies by two directors.
4. Ore reserves
   – All mines publish calculated ore reserves at 6-monthly intervals in their respective financial years.
   – Unavailable ore reserves are reserves which cannot be made available for mining during the next 12 months.
   – Inaccessible ore reserves are reserves which may only be mined towards the end of the life of the mine.
5. Future capital expenditure
   Members are referred to details of capital expenditure in the latest annual report of each company. Due to sharp variations in the gold price the capital expenditure programmes are managed from month to month in accordance with the varying financial circumstances.
6. Central Registrars Limited were appointed as the companies' Transfer Secretaries with effect from 1 September 1987.
7. Minimum Taxation on Companies
   The recently-announced Minimum Taxation on Companies (MTC) is in effect an additional provisional taxation payment which can be off-set against subsequent taxation payments. The effect of this taxation on the companies is expected to be minimal and, in most cases, will amount to a small loss of interest received.

Johannesburg, 21 April 1988

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Eurodollar issues test appetite of investors

BY DOMINIQUE JACKSON

THREE EURODOLLAR straight bond issues totalling $500m were launched yesterday, testing investors' appetite for the currency as new issue business remained busy in many sectors.

Three more Australian dollar issues totalling A$300m were brought to market, following Tuesday's A$350m.

The timing of the dollar bonds was viewed askance given the recent bearish tone of the sector following last week's poor US trade figures. The first two $200m deals were for bank names. Though they carried short two year maturities, they did not have the attraction of the top-quality European Community issue last week. The third, launched late in the day, was for Fiat Finance and Trade.

Attention was focussed on the release of the US March Consumer Price Index. However, dealers said the 0.5 per cent rise was within expectations and had already been discounted by the market to some extent. US Treasury and Eurodollar prices fell on the news, but recovered later to close barely changed from opening levels in low volume.

The first $200m deal was a 8⅝ per cent issue at 101 by Bank of Nova Scotia, Cayman Islands branch, which matures in September 1990, giving it a slightly longer than two-year life. Lead manager Morgan Stanley International said the deal was priced to yield 62 basis points over two-year Treasuries at launch.

Credit Suisse First Boston led a $200m 8¼ per cent deal priced at 101.10 maturing in May 1990 for Skandinaviska Enskilda Banken which was pitched to yield 51 basis points over comparable Treasuries at launch.

Syndicate managers at other houses noted that both deals had been prompted by swap opportunities, enabling the two banks to obtain attractively cheap financing. This was evidenced by the long first coupon on both issues which usually makes the swap more attractive by about 5 or 6 basis points.

"It was the right idea but the wrong name," said one syndicate manager, "Bank names are not what the sector was waiting for and from the look of the co-management groups, it appears that quite a few houses were obliged to accept because of their relationship with the borrower."

The Bank of Nova Scotia deal was bid locked on its fees at a discount of 1⅛. Credit Suisse First Boston said the Enskilda deal was trading at a discount of less 1.10, just inside its 1⅛ fees.

Dealers said both deals were more investment bank-driven than investor-driven. Several Eurobond houses are expected to switch out of seasoned issues on which yield spreads have narrowed recently in order to buy the new bonds, picking up a small but welcome few basis points on the yield differential.

INTERNATIONAL BONDS

Late in the day UBS Securities launched a $100m 8⅝ per cent three-year issue at 101⅛ for Fiat Finance and Trade which is guaranteed by the parent company. UBS said the issue was priced to yield 55 basis points over comparable Treasury issues.

Its launch late in the day made initial market reception difficult to gauge accurately but the lead manager was confident that the deal would meet excellent demand among retail investors still hungry for short-dated dollar denominated paper.

Dealers said the slightly higher coupon on the issue and the popularity of the borrower's name might give the Fiat issue a slight advantage over the day's earlier dollar straight offerings.

The coupon on last week's $500m equity warrants deal for Fujitsu was cut to 3⅞ per cent from an indicated 4¼. Lead manager Nikko Securities said that this was the lowest coupon level on such a deal since the October stock market crash.

Also in dollars, Shearson Lehman Hutton launched a $75m convertible issue for Ohio-based Cellular Communications. The coupon is indicated at 6¾ to 7¼ per cent. The deal was bid at a discount of 97¾ to its par issue price. Dealers said demand for the issue could pick up later in the week as the company is currently taking a road show around Europe to attract investors.

The persistence of decent swap opportunities prompted three borrowers to tap the Australian dollar sector yesterday, completely log-jamming a sector which was already weighed down with paper. Last week saw A$500m worth of new deals and although new issue desks avoided the sector on Monday, five new issues totalling A$350m were launched on Tuesday.

Banque Paribas Capital Markets brought Swedish Export Credit (SEK) with a A$75m five-year deal at 12¼ and 101⅛. From Düsseldorf, Westdeutsche Landesbank also led a A$75m five-year deal for Denmark, pitched at 12¼ and 102.

Credit Suisse First Boston led a three-year A$150m issue for the State Bank of New South Wales, guaranteed by the state itself, carrying a 12⅝ per cent coupon and priced at 101½.

However, despite the quality of the borrowers and the reasonable pricing of the issues, the chronic oversupply in the sector meant that all three were languishing well outside fees by the close.

Denmark and SEK were both bid at a discount of 2¼ against total 2 per cent fees. Earlier in the day, the State Bank of New South Wales issue was bid at a discount of 1¾ against fees of 1⅛ prompting the lead manager to come in to support the issue which finally finished at a discount of 1⅝ bid.

Banque Paribas Capital Markets launched a four-year Ecu87.9m deal for Eurofima, the European railway finance agency, with a 7⅛ coupon and priced at 101¼. The unusual issue amount is linked to the swap, the lead manager said.

There were no new D-Mark issues but in the West German secondary markets activity and turnover picked up from recent depressed levels.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	95⅝	96⅛	-0⅛	-0½	8.80
All Nippon Air 9⅞ 97	100	†97⅞	97⅞	-0⅛	+0⅛	9.83
American Brands 8⅞ 92	150	98⅞	99⅛	-0⅛	-0½	9.18
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅞ 92	55	102⅜	103	0	0	4.67
Belgium 4⅞ 94	45	98⅜	98½	+0⅛	+0⅛	4.94
Canada 4⅞ 92	80	99⅝	99⅞	+0⅛	0	4.57
[illegible]						

[illegible]: remaining table sections (Other Straights, Deutsche Mark Straights, Swiss Franc Straights, Floating Rate Notes, Convertible Bonds).

* No information available—previous day's price.

† Only one market maker supplied a price.

[illegible]: explanatory notes on Straight Bonds, Floating Rate Notes and Convertible Bonds.

US pleased with latest Japanese deregulation

By Carla Rapoport in Tokyo

JAPAN YESTERDAY confirmed two further moves in the liberalisation of its financial markets as the latest round of bilateral talks with the US on the matter were completed.

In contrast to previous years, the mood following this year's yen/dollar talks was primarily positive and upbeat. Mr David Mulford, US Assistant Treasury Secretary for International Affairs, noted that "important achievements" had been secured since the talks began in 1984.

The US said it welcomed the two newest moves on financial liberalisation from the Japanese side. The first was a commitment by Mr Toyoo Gyohten, Vice Minister at the Ministry of Finance, that a concrete plan for deregulating interest rates on small deposits would be put forward in June and enacted in the autumn.

Second, Mr Gyohten said the MoF and the Ministry of Health and Welfare had agreed to put foward a bill to give foreign companies access to managing a slice of government-run pension schemes. This bill will be put forward in December, with approval expected some time next year.

Mr Mulford pointed out that, since the talks began in 1984, the yen had been internationalised through the development of the Euroyen market and that access by foreign financial firms to the Japanese markets had "significantly improved."

Deregulation of Japan's domestic financial markets was "also proceeding in a step-by-step fashion," most recently with measures to further liberalise interest rates on large time deposits, he said.

As a result, the two sides also decided this week to change the name and nature of the yen/dollar talks. The new group, which will take a more global perspective, will be called the "US-Japan Working Group on Financial Markets." Among other topics, its brief will be to discuss, on a regular basis:

- The functioning of government securities markets;
- The restructuring and deregulation of the banking and securities industries;
- The function and regulation of global and domestic capital markets, and
- Foreign access to domestic financial markets.

First-quarter setback for Bankers Trust

By Anatole Kaletsky in New York

BANKERS TRUST, the eighth largest US bank group, suffered setbacks connected with the foreign exchange speculation which had been responsible for a large share of its recent spectacular profits. Net profit in the first quarter was almost unchanged at $126m compared with $124.2m in 1987. Profits per share fell to $1.61 from $1.77.

The weak result was due entirely to a pre-tax loss of $15.6m from foreign exchange trading. In the same quarter last year it made a foreign exchange profit of $83.8m and in the fourth quarter of 1987 such profits jumped to $337.7m as a result of speculative manoeuvres in the aftermath of the October crash.

There had been widespread rumours about a setback in Bankers Trust's foreign exchange operations, following the resignation two months ago of Mr Andrew Krieger, the young options trader whose aggressive dealing was widely given credit for earning much of the bank's extraordinary profit last year.

Bankers Trust's losses in currency trading were partly offset by profits and commissions from securities trading. These profits increased to $67.5m from $18.8m in the first quarter of 1987. However, securities profits were much lower than in the last quarter of 1987, when the bank earned $145.5m in this activity.

US municipal bonds ruling

THE US Supreme Court has ruled that the Government can continue to force registration of municipal bonds, Reuter reports from Washington.

The case involved a challenge by several states to a 1982 law which removed the federal income tax exemption for interest earned on publicly offered long-term bonds issued by state and local governments, unless the bonds are issued in registered form.

The states had argued that the law puts an unfair burden of high registration costs on states, towns, school districts and other bond issuers.

Peter Bruce on a slow-burning revolution in Spanish banking

Cajas push deep into banca territory

WHILE SPAIN'S leading bankers parade about Madrid having their pictures taken with Royalty, attending movie premieres, or teasing the local press with hints about who might merge with whom, a slow-burning revolution is quietly loosening the ground beneath their feet. Many much quieter, poorer men – the people who run Spanish savings banks – are taking business away from their big brothers.

Mr Josep Vilarasau Salat is a case in point. Friendly and unassuming to the point where cynics might not believe it. He does his work at a large, round table – not a desk – in a modern and beautifully-scaled black complex on Barcelona's Diagonal.

God forbid that it should become too widely known, but the institution of which Mr Vilarasau is chief executive, the Caja de Pensiones para la Vejez y de Ahorros de Catalunya y Baleares – or "La Caixa" (Caixa is the Catalan translation of Caja, which is Castillian, literally, for "box") – is Spain's biggest bank.

In terms of deposits, that is, but La Caixa's climb to the very top, past Banco Central, for the first time last August and then more consistently from January this year, also overshadows a significant advance by all the savings banks into traditionally banca territory over the last 10 years. The cajas now claim nearly 43 per cent of all Spanish deposits, compared to roughly a third in 1978 and they are agitating mightily to break out of an age-old regulatory stranglehold that undoubtedly stops them taking much more.

Customers are fiercely loyal, which is a boast that only Banco Popular, among the Big Seven Spanish banks, could make with any credibility. The strength of the savings banks can be partly explained by the fact that their customers were once too poor to attract the attention of the bigger "real" banks.

"For many years we were the poor man's banks," says Mr Vilarasau, "but after the (Spanish) industrial revolution the poor men became rich men. Now the banks need them."

The pie over which they are fighting is not a big one. Spanish commercial banks were forced by the Franco Government to stay in Spain, so their foreign activities do not give them much of a cushion against trouble at home. And trouble is coming.

Spain's 77 cajas (excluding another 62 rural savings banks) and their 12,000 branches are still prevented by law from operating much beyond their traditional territory. Although La Caixa and the Caja de Madrid (the country's second largest savings bank) do have some branches beyond their provincial boundaries (and in the Balearics as well in the Caixa's case), these are exceptions.

SPANISH COMMERCIAL AND SAVINGS BANKS (Deposits in bn Pts. at 31/1/1988)			
All banks		Savings banks	
La Caixa	2,041	La Caixa	2,041
Banco Central	2,001	Caja de Madrid	1,194
Banesto	1,953	Caja de Barcelona	653
Banco de Bilbao	1,615	Caja Postal	644
Banco Hispano Americano	1,580	Caja de Cataluna	482
Banco de Santander	1,345	Caja de Zaragoza	476
Caja de Madrid	1,194	Caja de Valencia	424
Banco de Vizcaya	1,023	Caja de Galicia	389
Banco Popular de Espanol	856	Caja de Alicante	352
Caja de Barcelona	653	Caja Vizcaina	288

Sources: La Caixa, Association of Private Banks, bank annual reports.

Both want to do at least half their business outside Catalonia and Madrid, and "branching" has become the buzzword in the sector.

Mr Vilarasau says the Government is now under constant pressure to open up the entire country to savings banks, in the same way that it is open to private and commercial banks. Something, certainly, will have to be done before the end of 1992, when all European Community markets in financial services are supposed to be liberalised.

Larger savings banks have been able to grow somewhat outside their areas by taking over, at Madrid's request, struggling rural savings banks but the sector is remarkably resistant to trouble. Not one savings bank went down during the banking crisis of the late 1970s.

La Caixa has five branches in Madrid but, says Mr Vilarasau, "we would like to have 300 there." On purely aesthetic grounds this might be no bad thing, since the group has probably the most attractive corporate image – including a dashing logo designed by Joan Miró, the artist – in the country.

"Nobody wants us to expand," he says. The commercial banks, with considerable influence in Madrid, certainly do not, while the smaller savings banks – which can exert power in the regions – do not like the idea of their bigger cousins walking all over them.

Some of the bigger savings banks have set up national operations doing quasi-banking business and the Government insists the market will be opened up when the time is right. But, sighs Mr Vilarasau, "the moment never comes."

Even were the magic moment to arrive, reaction among the savings banks would be mixed. Based more on the German than the British model, Spanish savings banks are run as foundations. They have no shareholders and have to plough profits back into their own operations or else into works benefitting the community. Roughly a third were founded by local governments, while, in nearly all, the prescribed mix on their supervisory boards of savers, employees and representatives of the local authorities can sometimes lead to heavy political weather.

Mergers, with 1992 in mind, are constantly talked about but rarely happen. At present five small Cajas de Ahorra in Castille and Leon are trying to put together a merger to help see off expected competition from foreign and domestic savings banks after 1992 but Mr Vilarasau, among others, is sceptical.

"Let's see," he says, "that's talks, but there have been many, many talks about merging and not a single reality."

A few of the larger savings banks do have one special card up their sleeves. Five, mainly Catalan, are allowed to offer life insurance, largely because they always have done so. The sector is flourishing in Spain and the five lucky savings banks with it. The Caixa admits that most of the group's recent growth has been insurance-related.

The European Commission, however, is insisting that Madrid force the savings banks out of insurance, though the savings banks, in turn, may now have enough weight to squeeze large concessions on branching from Madrid if it bends to the will of Brussels.

Call for tighter limits on Swedish option trading

BY SARA WEBB IN STOCKHOLM

OPTIONS TRADING in the Swedish markets should be governed by tighter requirements on margins and position limits, according to a report released yesterday by an independent inquiry.

The report also proposes that off-exchange trading should be forbidden in Sweden because it leads to unfair pricing. These proposals could come into effect next January if parliament approves the legislation.

Sweden witnessed a series of scandals last year in which banks such as Svenska Handelsbanken, Gotabanken, and Oestgota Enskilda Banken, a brokerage called Civic, and the Stockholm Municipal Authority all suffered large losses on options and futures trading.

Lloyds Geneva unit forms branch in Luxembourg

BY WILLIAM DULLFORCE IN GENEVA

LLOYDS BANK's Geneva-based international private banking group (LIPB) plans to establish a branch in Luxembourg to serve "wealthy individuals residing in the European Community," particularly in Northern Europe.

Lloyds, which announced the formation of LIPB only last month, will be the first of the big four British clearers to set up in Luxembourg. The group has close to £5bn of clients' assets under management worldwide.

It is forming a regional headquarters for the Americas in Nassau, Bahamas, which will eventually operate as a full-blown service centre for existing offices in New York, Miami, Panama and the Cayman Islands. An office is planned for Montevideo.

BOOST FROM STRONG UK FINANCIAL SERVICES MARKET

Bank of Scotland at record £131m

BY DAVID LASCELLES, BANKING EDITOR

THE STRENGTH of the UK financial services market helped Bank of Scotland to achieve record profits in the year ending February 29, despite exceptional provisions for loans to troubled Third World countries.

The Edinburgh-based group yesterday reported that pre-tax profits were up 11 per cent from £118.5m to £131.3m. This included the effect of £35.3m in exceptional provisions covering £233m in loans to 15 Third World countries. The provisions bring Bank of Scotland's cover to 33 per cent, equivalent to the highest level set by the London clearing banks.

The results were much in line with market expectations, and the bank's shares closed at 513p, an increase of 3p on the day.

At the operating level, Bank of Scotland's profits increased sharply from £119.8m to £157.9m.

Mr Bruce Patullo, the group chief executive, said this resulted from larger and more profitable loan business, mainly in the corporate and housing sectors, and from higher fee income.

The group's main subsidiaries, British Linen Bank and the Bank of Wales, both made an increased contribution. North West Securities, the finance house, earned £27.1m, up from £25.1m, with tighter credit vetting leading to a lower bad debt experience. British Linen Bank, the merchant banking arm, earned £8.6m, up from £7.8m, despite the upheavals in the securities markets.

The group's overall return on assets was 1.28 per cent, but without the exceptional provisions it would have been 1.54 per cent which Mr Patullo said was sufficient to finance an acceptable rate of growth internally.

Total assets grew 18 per cent to £11bn, but the group saw a slight decline in the ratio of equity to assets from 6 per cent to 5.9 per cent.

Bank of Scotland is pursuing a strategy of expansion outside the Scottish market through co-operation with other institutions like building societies, and by developing electronic delivery systems.

Mr Patullo said that the group's screen-based home and office banking system (HOBS) had begun to make a significant contribution to profits, though he declined to say how many customers it had attracted.

The dividend will total 18.9p, an increase of 14.5 per cent. A one-for-two scrip issue is also proposed.

● The Bank of Wales said yesterday that after a year of consolidation in 1987 it intended to put its main emphasis on vigorous marketing this year, writes Anthony Moreton.

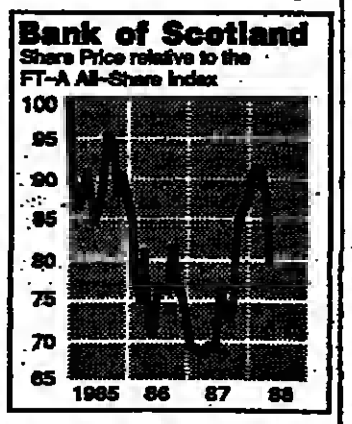
There would be a strong drive for growth through advances, particularly to the corporate sector.

For the year to end-February Bank of Wales, 75 per cent-owned by the Bank of Scotland, returned pre-tax profits of £2.61m compared with £2.43m for the preceeding 14 months. On an annualised basis, the 1988 pre-tax result represented a rise of 25.3 per cent.

A final dividend of 1.8p makes 2.8p for the year.

See Lex

Bank of Scotland
Share Price relative to the FT-A All-Share Index



NatWest US makes $26m

BY DAVID LASCELLES

National Westminster Bancorp, the newly formed US subsidiary of the National Westminster Bank, made net profits of $26.2m (£13.86m) in the first quarter of this year. The results are the first since NatWest acquired First Jersey National Corporation in January.

The figures include first quarter earnings of $22.1m from NatWest USA, up from $17.7m in the same period of 1987, and a two-month $4.1m contribution from First Jersey, now renamed National Westminster Bancorp NJ.

NatWest claims to be the largest UK bank operating in the US with 245 branches in New Jersey, Long Island, New York City and neighbouring Westchester County.

● First Maryland, the 49 per cent owned affiliate of Allied Irish Bank, earned $13.9m in the first quarter, up 20 per cent on the same period of 1987.

Recovery at Brown & Jackson

Brown & Jackson, which has interests in building and toiletries distribution, recovered strongly in 1987 with pre-tax profits rising from a depressed £22,000 to £951,000.

The turnround was partly attributable to the closing in 1987 of the commodity trading division.

The company also sold its majority share of EGH Holdings, realising an extraordinary profit of £1.45m. Turnover totalled £12.97m (£46.39m).

Earnings per 20p share came out at 1.7p (2.23p loss). A dividend of 0.1p (nil) is being paid.

ALLIED INSURANCE Brokers: Share dealings commence on the USM today, following the company's transfer from the Third Market.

Wade Potteries reports small rise half-way

A taxable profit of £1.07m is reported by Wade Potteries for the six months to January 31 1988 against £1.02m in the same period of 1986. Turnover in the latest period rose from £9.88m to £10.43m.

Mr Jack Johnston, chairman, said turnover had been affected by lower demand for specialised refractory products due to the mild winter and reorganisation at an important customer in a different sector.

The installation of tableware plant at Wade (Ireland) had begun, this would cause some disruption to working until completion in early summer.

An interim dividend of 1.5p is declared (1.35p) on earnings per 10p share of 4.8p (5.28p).

The annual results are expected to see little change but form the basis for growth.

Southend Property lifted to £2.5m by acquisitions

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Southend Property, formerly known as Southend Stadium, lifted pre-tax profits tenfold and earnings per share nearly fourfold during 1987 on the back of a series of acquisitions.

However, because it took over Hampton Trust for £70.8m in February 1988, it has decided to change its financial year-end to March so that the results of this latest and largest acquisition can be incorporated in the accounts.

A second interim dividend for 1987-88 of 0.2p a share, brings 1987 payments to 0.3p against an adjusted 0.15p.

Mr Derek Reynolds, a Southend director, said yesterday that the company would pay a final dividend.

Pre-tax profits for the 12 months to December were £2.5m, compared with £208,674 in 1986. Earnings per share were 3.44p against 0.7p.

Including the acquisition of Hampton Trust, Southend spent £120.75m over the last year on acquisitions. A rights issue, raising £32m, last October brought back gearing, which Mr Reynolds said was now 100 per cent.

Gearing would be further reduced, he added. This was likely to come from further disposals. This week, the company announced two sales of central London properties to Clayform Properties and Sheraton Securities. They realised £24.2m.

Southend's property holdings are concentrated in the south east. The emphasis is on building up a portfolio of offices and retail property outside central London.

The company did not publish its net asset value, but it is probably in the region of 200p a share compared with a market price of 171p.

Kwik Save lifts profits by 11.7%

By Nikki Tait

Kwik Save, the discount food retailing group, yesterday reported an 11.7 per cent increase in pre-tax profits to £24.3m for the six months to February 27 1988.

Sales (excluding VAT) rose from £407.8m to £442.4m, and earnings per share improved by 9.85 per cent to 10.26p. The recommended interim dividend goes up by 14.3 per cent to 2.4p. The figures, however, were at the lower end of City estimates and the shares eased 3p to 342p.

Kwik Save, in which Hong Kong-based Dairy Farm International holds a 25 per cent stake, says the modest 8.7 per cent sales rise reflected the continuing impact of an industrial dispute at its distribution depots earlier in 1987. But sales improved "significantly" in the second quarter.

New stores accounted contributed just under 7 per cent to the sales improvement, but volume growth at the existing stores was only 0.3 per cent. Inflation within Kwik Save's product range was about 1.5 per cent. Rental income rose from £4.08m to £4.58m, and the company says profits benefited from the change in product mix towards higher margin goods.

Although one store was closed, 28 new Kwik Save stores were added in the first half, and 15 Best of Cellars units. There were no new Arctic Freezer centres, but 15 (5) Kwik Save stores now incorporate the Arctic range. Net sales area rose by about 4.5 per cent.

The pre-tax figure comes after a £920,000 interest charge (£950,000) while capital expenditure in the period fell from £13.3m to £10.5m. The tax charge is £8.75m (£7.62m).

● comment

Excitement may not be Kwik Save's strong point, but reliability certainly is. Yesterday's figures held few major surprises, even if the effects of the industrial dispute do seem to have lingered. In terms of the steady expansion programme, 1987/8 looks on target in terms of store numbers, and an increase of around 10 per cent in new space would at least be in the right ballpark. The balance sheet looks as strong as ever – with a slightly higher net cash balance of around £25m expected by year-end. If £54m-£55m is in sight this year, the prospective p/e is a fairly full 15 times and in share price terms, after something of a recent rerating, Kwik Save may not have much further to go. That said, Dairy Farm's involvement and the steady track record offers some solid underpinning.

Kwik-Fit in £5m French purchase

By Michael Smith

Kwik-Fit Holdings, automotive parts retailer, is to pay £5.8m for 80 per cent of Tours Pneus, a privately-owned tyre retailer and distributor based in western France.

Tours Pneus is one of France's largest tyres retailers with 17 outlets. Last year it made pre-tax profits of £1.24m and had assets of £2.2m on December 31.

Kwik-Fit has 420 outlets in the UK, Ireland, The Netherlands, Belgium and now France. Latest results for the year to the end of February showed pre-tax profits of £16m on sales of £125.5m.

Strong second half performance lifts Hawker Siddeley to £163m

BY DAVID WALLER

Hawker Siddeley, electrical and mechanical engineering group, yesterday reported an £11.1m increase in pre-tax profits for 1987. At £163.2m, the result was in line with brokers' expectations.

Virtually all the growth came in the second half of the year which contributed pre-tax profits of £90m against £73m in the first half.

Turnover rose by 8 per cent to £1.74bn and earnings per share by 9 per cent to 48.5p. The directors recommend a final dividend of 13.5p (12p), making 19p (17p) for the year.

Much of the £15.8m increase in trading profits to £162.4m came from a recovery in demand for diesel engines, a market adversely affected after 1986 by the impact of lower oil prices on customers in the Middle East.

Diesel engineering profits rose by 91 per cent to £13.7m on sales ahead by £2m to £154m. Mr Bob Bensly, chief executive, attributed this to a successful attack on alternative markets in Europe, the Far East and the US.

Over the last two years, Hawker has made some 25 acquisitions, costing nearly £200m (£65m in 1987), in an effort to increase the proportion of its business coming from the higher growth areas of light electrical engineering, instruments and controls, and aeropace.

These companies contributed a net £14m to last year's profits, against £7m in 1986.

On the electrical side, motors and generators improved their profits by 20 per cent to £36.6m on turnover of £232m (£220m). Profits from distribution and controls increased by 18 per cent to £40.2m on sales of £460m (£377m).

Specialised equipment, which includes batteries, lighting products and railway equipment, made £30.6m (£27.9m) on turnover of £335m (£291m).

Profits from the mechanical engineering companies fell by 7 per cent to £40.6m on sales of £504m (£515m). Other trading activities – which include Invergordon Distillers – made £10.7m (£9.5m).

Adverse exchange rate movements depressed pre-tax profits by £7m on translation into sterling.

See Lex

St Ives increases 14% to £8.5m

BY VANESSA HOULDER

St Ives Group, the security, book and magazine printing group, yesterday announced pre-tax profits of £8.5m for the six months ended 31 January 1988, after paying £1.56m in redundancy costs. The result represented a 14 per cent increase on the restated £7.4m figure for 1987 and was scored on turnover up 10 per cent to £84.5m.

Mr Robert Gavron, chairman, said that St Ives had achieved significant profits growth in its existing book and magazine printing divisions. This was in addition to the completion in October of the £45m acquisition of Burrups, the UK's leading City and financial printer.

The company, which had net cash of £8m at the end of the half-year, is continuing to look for acquisitions, said Mr Gavron, although the October crash had reduced the number of potential acquisitions that would enhance earnings per share.

The October downturn had provided an opportunity for a massive reorganisation at Burrups, said Mr Gavron.

Merger document work which accounts for a quarter of Burrup's turnover, virtually stopped after October 19, but had recovered to a better than expected level, he said. Burrups' other divisions – concerned with special products, fine art, commercial and advertising printing – have also been re-organised with regard to marketing and production.

St Ives is spending £30m on a re-equipping and expansion programme that will be implemented over the next 18 months.

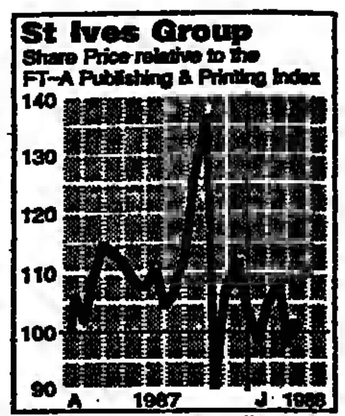
In the magazine printing division, the new Plymouth factory which replaced the one destroyed by fire last year has been in production since January and is able to accommodate 30 per cent of additional capacity. Further expansion of the division is planned with a new factory under construction in Peterborough.

Fully diluted earnings per share, after redundancy costs, increased from 4.6p to 5p. A dividend of 0.75p per share is proposed, representing an increase of 28 per cent.

● comment

Caught with a rights issue and the acquisition of a financial printing group in hand, it was no surprise that the October crash cut the value of St Ives in half. But the company has seen better-than-expected scope for management improvements at Burrups, and the introdnction of rigorous financial controls and sharp cuts in staffing levels should more than double margins next year to more than the 14 per cent enjoyed by the rest of the group. Elsewhere, growth in the magazine and book divisions looks healthy. While the magazine boom continues, St Ives is taking a good share of new business. Should the boom falter, it will boost its market share thanks to the more efficient machines now being installed. Likewise, investment in the books division continues apace with the company hoping to repatriate some of the colour book printing now being contracted abroad. St Ives should make at least £20m for the full year, which puts the share price, unchanged at 195p, on a premium rating of 15. High enough.

St Ives Group
Share Price relative to the FT-A Publishing & Printing Index



London SE listing for Thai Investment Fund

BY PHILIP COGGAN

Thai Investment Fund, an investment company specialising in Thailand-based companies, is seeking a listing on the stock market. An offer-for-subscription, which will raise $30m for the fund, has been launched by Yamaichi International.

The fund will invest in equities, and equity related debentures of companies listed on the Securities Exchange of Thailand. It will also invest in money market instruments, other readily realisable investments or cash.

The fund may keep between 25 and 50 per cent of its cash and money market instruments in currencies other than the Thai baht or the US dollar.

Yamaichi is offering 3m participating redeemable preferred shares at $10.40 each.

Cap Gemini continues to buy into Cap

By Nikki Tait

Cap Gemini Sogeti, based in France and Europe's largest computing services company, continues to add to its stake in Cap Group, the UK software house which is currently in the throes of the merger with France's Sema-Metra.

It announced yesterday that it now holds a 21.9 per cent interest – having raised its stake to 20.6 per cent earlier this week.

CGS picked up 14.9 per cent of Cap in a market raid earlier this month – a move which the British company has indicated is extremely unwelcome, although CGS insists that its intentions are friendly.

Earlier this week, the British Coal Pension Fund also raised its holding to 5.1m shares, or 12.7 per cent. Both shareholdings will be diluted when the Sema-Metra merger takes effect next month.

Parambe assets grow by 25%

Parambe investment company said a substantial rise in the value of the investment portfolio in the first half of 1987 enabled it to increase net asset value per share for the full year by 25 per cent. At December 31 the figure stood at 67.5p compared with 53.8p at the end of 1986.

Pre-tax profits for the twelve months rose 15 per cent from £138,824 to £159,735. A final dividend of 0.95p makes a 1.45p (1.35p) total on the enlarged share capital.

The directors intend to seek authorisation from shareholders to continue to purchase its own shares.

E Worcs Water acceptances

Acceptances equivalent to 45.83 per cent of the voting capital of East Worcestershire Waterworks, a statutory water company, have been received by Biwater Supply, which is making a recommended cash offer for the company.

Biwater Supply is managed by a team from East Worcestershire and Biwater, a private water contracting and engineering company. The offer closes on April 29.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Bank of Scotland	fin	12.3	June 10	10.5	18.9	16.5
Bank of Wales	fin	1.8	June 10	2.8	2.8	2.8☆
Brown & Jackson	fin	0.1†	-	-	0.1	-
Costain Group	fin	6	-	5.25*	9.65	8.75
English Nat pref	fin	7.45	-	6.75	11.35	10.45
English Nat defd	fin	5	-	4.3	6.45	5.55
First Charlotte	fin	0.06	-	0.05	0.06	0.05
Hawker Siddeley	fin	13.5	-	12	19	17
Intl Business	fin	2.5†	June 3	2.25	3.5	3
Kalon	fin	nil	-	0.92	nil	1.38
Kentish Prop	fin	2.25	June 3	-	2.25	-
Kwik Save	int	2.4	July 1	2.1	-	6.8
Laporte Inds	fin	7.6	June 10	6.45	12	10.25
Parambe	fin	0.95†	-	0.9	1.45	1.35
Singer Friedland	fin	0.75	June 1	nil	0.75	nil
Southend Prop	int	0.2†	July 5	0.15*	‡‡	0.15*
St Ives Group	int	0.75†	May 31	0.58*	-	1.92*
Wade Potteries	int	1.5	June 3	1.35	-	4.35

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆For 14 months. ‡‡Makes 0.3p to date in respect of 15 months period.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- [illegible]

Finals- [illegible]

FUTURE DATES

Interims-

Framlington Income and Growth	Apr 27
London Entertainments	Apr 29
[illegible]	[illegible]

Farmers seeks BAT hearing delay

BY NICK BUNKER

Farmers Group, the beleaguered US insurer, went to court in Los Angeles yesterday to seek at least a two-week delay in a key regulatory hearing on the $4.5bn (£2.38bn) bid it faces from BAT Industries of the UK.

The California insurance commissioner is due to hold a hearing in the city from May 4-6 on the takeover plan by BAT, the tobacco, paper, insurance and retailing group.

Mr Jason Katz, Farmers Group's general counsel, said last night that the group wanted a postponement until at least May 20. "We feel that the commissioner's time frame is very limited in view of the complexity of the issues involved."

Yesterday's action by Farmers is seen at BAT as the latest in an elaborate series of legal manoeuvres aimed at slowing down the progress of the British group's takeover proposal, which was first made public in January.

This had been anticipated by BAT, which has always stressed that US regulatory procedures meant that the bid could take up to nine months to complete.

One significant point about Farmers' request for a postponement is that its own annual shareholders' meeting is due to occur on May 20. If the California hearing were postponed, the commissioner would be unable to make a ruling on BAT's acceptability as a new owner for Farmers in time for the meeting.

Mr Katz said the delay was necessary because the Oregon state insurance department was holding a hearing into the BAT bid from May 9 to May 20. Farmers had asked the California Superior Court for a postponement of the Los Angeles regulatory hearing so that they would not have to run simultaneously, he said.

It has also emerged that Farmers is the target of a shareholder's lawsuit in California aimed at compelling it to negotiate with BAT. Farmers appears relaxed about the suit, which was filed soon after BAT launched its bid, on the grounds that such suits are customary in contested takeover situations.

Stock losses, bad debts tip Kalon into the red

By Andrew Hill

Stock losses, bad debts and the increased cost of raw materials, plunged Kalon Group, paint, chemicals and industrial coatings company, into the red last year.

Yesterday, as it predicted a month ago, the Yorkshire-based group reported a loss of £1.45m before tax for the year to December 31 1987, against profits of £4.92m in 1986. The company is not recommending a final dividend.

Turnover rose to £86.9m (£81m) and the company made a small operating profit of £876,000 (£7m) during the year, but £2.13m (£1.92m) of interest payable on borrowings dragged down the pre-tax figure. At one point last year Kalon's gearing rose to well over 100 per cent.

Two finance directors have resigned in the last year and in February, the group managing director also resigned and was replaced six months later by Mr Mike Hennessy.

He said stock losses of £880,000, and redundancy and rationalisation costs of £288,000, were taken above the line, as were bad debt provisions of £400,000.

An extraordinary loss of £762,000 represents the purchase of a property lease, and closure and reorganisation costs.

Kalon is concentrating on core operations and Mr Hennessy expects to raise £10m in cash to reduce borrowings — currently at £16m compared with £17m of shareholders' funds — by disposing of peripheral businesses.

The shares, which fell from 34.5p to 32p on last month's announcement by Kalon, rose 1.5p to 34p yesterday.

GrandMet buys US optician

BY VANESSA HOULDER

Grand Metropolitan, the UK drinks, specialist retailing, food and hotel group, has expanded its US opticians business through a $40m (£21.12m) cash acquisition of Vision Express, a chain of 27 optical superstores.

This is the first acquisition made by the Pearle Health Services subsidiary since it was acquired by GrandMet for $386m in 1985. Pearle, which is the world's largest retailer of eyecare products and services, made estimated profits of $35m in 1987.

The acquisition will greatly expand the geographical spread of Texas-based Pearle. Vision Express, founded in 1985, is based in the mid-West with outlets in 13 states. It forecasts annual sales in excess of $30m and estimates suggest post-tax profits of about $4m in the year to September 30, putting it on an exit multiple of 10. The completion of the deal is subject to delay of about a month — the result of the waiting period applied under the Hart-Scott-Rodino Anti-trust Improvement Act.

GrandMet said yesterday that it is in discussion with Eye-Tech, another optical chain operating 40 superstores.

Optical superstores, which offer a one-hour service for the production of lenses, are described by GrandMet as the fastest growing segment of the retail optical market in the US. About 18 per cent of the US optical market is in the hands of conventional chains and superstores, according to a survey by the Optical Manufacturers Assoc

Nimslo details recovery plan

BY PATRICK DANIEL

Nimslo, the struggling 3-D photography company which had its USM shares suspended last month pending completion of a recovery plan, yesterday reported a further pre-tax loss of £1.18m for the year to February 3, topping the previous year's £1.14m.

The Bermuda-based company, which is to change its name to Fairhaven International, also announced that it had entered into a conditional agreement on the recovery plan with its major shareholder, Fred Olsen, the Norwegian shipping group.

Under the plan, Nimslo will acquire Fred Olsen's Oil & Gas Construction subsidiary, which commissions and maintains offshore oil platforms, mainly in the North Sea. This is expected to provide greater underlying profitability to the company.

The consideration for this transaction will be satisfied by the issue to Fred Olsen of 75m new Nimslo shares.

In addition, the company will convert Fred Olsen's outstanding $7.2m (£3.8m) promissory notes into ordinary Nimslo shares thereby eliminating the long-term debt from its balance sheet.

Conversion of the non-interest bearing promissory notes will result in a further issue of 30m new shares, representing 24 cents (12.7p) a share.

Nimslo's shares were suspended on March 3 at 16p.

The new issues will increase the shareholding of Fred Olsen and its interests to about 86 per cent.

Fred Olsen has also agreed to meet the costs incurred in the transactions up to a maximum of £400,000.

The transactions are expected to be completed on May 23 with re-admission to the USM targetted the following day.

Under its licence agreements, Nimslo has granted worldwide rights to Nissel, a US company, and Quantronics of Hong Kong to use its technology for 3-D photographs and images.

Nimslo will receive a minimum payment of $1.25m on June 1 in respect of rights for a three-year period ending May 31 1990, after which it will receive an annual minimum royalty of $0.5m.

The company said that following completion of the transactions, the directors will propose a capital restructuring which will enable dividends to be paid from future profits.

Falcon Resources

Shareholders in Falcon Resources are still facing a long wait before the resumption of dealings, suspended in October 1985.

In January, management control passed to Venturelarge. But Mr Ronnie Monk, former chairman, is still on the board and remains in dispute with Venturelarge.

Maxwell buys more business magazines

By Raymond Snoddy

MR ROBERT Maxwell increased his stake in the business and professional magazine industry yesterday with the purchase of 90 per cent of Patey Doyle for £5.8m in cash.

It is the Mirror Group publisher's second significant purchase in this sector within the past six months. Last November he paid £34.8m for United Trade Press, publisher of a chain of 36 magazines ranging from Architect's Journal to Electronic Express.

Although Patey Doyle, which publishes Media Week and magazines such as Building Products, Office Magazine and Public Service and Local Government, will continue to trade under its own name it will form part of the UTP organisation.

Mr Brian Gilbert, managing director of UTP, will become chief executive of the expanded group, publishing a total of 49 titles, including 5 weeklies.

The founders of Patey Doyle, Mr Roger Patey and Mr Tony Doyle will become joint managing directors of UTP.

The enlarged UTP is clearly being seen by Mr Maxwell as a vehicle for expansion within the business and professional press.

Business magazines, or trade and technical magazines as they used to be known, are increasingly being treated as a serious medium in their own right with high prices being paid by publishing giants for the smaller companies.

To protect its editorial independence following yesterday's deal Media Week, the weekly which looks at all of the media from broadcasting to newspapers and magazines will be run as an autonomous unit.

By co-incidence its main story in today's issue is about Mr Maxwell's plans for the Daily Mirror.

Last month Maxwell Communication Corporation paid £17m for 91 per cent of Home and Law Publishers, which publishes a mixture of free magazines such as Exchange Contracts and paid-for consumer titles such as The Gardner.

Deborah Hargreaves on Tate's PR efforts in Illinois

Sweetening the takeover pill at the local level

Staley Continental, the US corn syrup and food services group, may have kept Tate & Lyle waiting for nearly a fortnight before responding to the UK sugar refiner's takeover bid, but Tate wasted no time in beginning to sweeten its image in the US.

Within days of launching the hostile offer, Mr Neil Shaw, Tate chairman, flew to Illinois, where Staley is based, in an effort to seize the initiative in what could be a drawn-out takeover battle. The speed of the approach reflected Tate's awareness of the current US sensitivity to foreign bids, such as Beazer's protracted effort to acquire Koppers.

Although he met Governor Jim Thompson and other state officials, Mr Shaw focused much of his attention on Decatur, the central Illinois town which was Staley's world headquarters until the company moved to a western suburb of Chicago in 1985. In a shrewd twist, Tate has pledged to return the company's base to Decatur, which is still home to one of Staley's three main corn processing plants.

Whether this line would play in Peoria, the Illinois city synonymous with middle America, it has gone down well in Decatur, a tough agribusiness town only 70 miles away.

"It's a beautifully exploitable sitoation," commented one observer. Tate has taken advantage of the resentment many residents still harbour about Staley's move to Chicago.

Decatur took its knocks in the early 1980s, when farm processing and motor components plants were hit by the high dollar and contraction of Illinois' manufacturing base. Although it has managed to halve its unemployment rate to 9.5 per cent by attracting service industries and small businesses, jobs are still the main concern.

"They're talking about investing in the plant with new processes and even expanding," said Mr Bill Strohl, regional representative for the Allied Industrial Workers Union. "That kind of talk will get a lot of ears around here."

Mr Strohl was surprised at Tate's unprecedented round of meetings in the town. It was the first time he had met a company's prospective owner in his 20-year stint with the union. Mr Shaw's public relations masterstroke was a visit to the local union hall to meet members over hamburgers.

In any case, the protectionist rhetoric favoured by many US manufacturing workers has not laid deep roots in Decatur, where two Japanese companies have established a presence in the past year. DK Manufacturing bought a motor components subsidiary of Borg Warner, and Bridgestone is soon to take over Firestone Tire and Rubber, which has a plant in Decatur.

Although a demonstration over a labour dispute at Borg Warner at the time of DK's acquisition was seen as evidence of an anti-Japanese sentiment, union officials say they are happy to see investment in Decatur, even if they regretted DK's refusal to meet them before it took over the plant.

Staley itself employs 1,500 people in Decatur. Its soya-bean plant has been sold to another Decatur company, Archer Daniels Midland, the only US corn syrup producer larger than Staley, and workers fear Staley lost direction when it took over food distributor CFS Continental and moved to Chicago.

"No one knows where decisions are coming from," one union official complained. However, the company has maintained a strike-free record in spite of recent plans to redoce capacity.

Decatur has been surprised – and even charmed – by Tate's overtures. "The community is impressed with their efforts to move quickly and answer questions before they have even been asked," said Mr Gary Anderson, the mayor.

"I think it's unique," remarked Mr Richard Lutovsky, head of the Decatur chamber of commerce. "They've assured us it's an approach they have used before, but they haven't ever utilised as many top executives – it's definitely caught everyone's attention."

Staley Continental, second largest corn processor in the US, is due today to give its first response to the $1.33bn (£703m) hostile takeover bid which Tate & Lyle, the UK-based sugar refiner, launched nearly two weeks ago, writes Clay Harris.

So far, contact between the two sides has been confined to lawyers. Staley filed a response in Delaware courts to Tate's legal challenge to its "golden parachnte" arrangements for top executives. So far, it has failed to fire off any suits of its own.

The US company, advised by Merrill Lynch Capital Markets and First Boston, has otherwise kept a steadfast silence.

On Wall Street, Staley shares were trading yesterday at $36, compared with Tate's tender offer of $32.

Mersey Docks surges 81% to £3.8m

Mersey Docks and Harbour Company reported pre-tax profit ahead by 81 per cent for 1987 on turnover up 5 per cent. Mr Bill Slater, chairman, said the improvement reflected the progress being made by the company.

Turnover was £53.94m (£51.39m) with taxable profits of £3.76m (£2.08m). Earnings per 10p share were 18.8p (10.4p). There was no tax charge.

The transport secretary decided that there should not be a discretionary capital repayment to stockholders. But the company added that if the performance was maintained he might look more favourably on a repayment in respect of 1988.

MTM purchases chemicals group in US expansion

MTM, speciality chemicals manufacturer, has announced the acquisition of Traybor, a US fine chemicals company based in South Carolina, for $7.36m (£3.9m) cash.

Included in the deal is the purchase of a 100-acre site, of which only 10 acres is used up by Traybor's facilities.

MTM said a new plant has already been commissioned on the site to manufacture agrochemical intermediates for a leading US chemicals company under a major new long-term contract.

Hodgson shunned

All but 10.12 per cent of the £20m rights issue for funeral group Hodgson Holdings was left with the sub-underwriters.

Shareholders had been offered one ordinary share at 230p and and seven convertible preference shares at 100p for every eight shares held.

USM prepares greeting for Clinton Cards

BY FIONA THOMPSON

FROM BILLERICAY to Bognor they buy them in bulk. Greeting cards are big business and Clinton Cards mean to benefit from the boom. It is joining the Unlisted Securities Market via a placing and offer for sale which will capitalise the company at £20.26m.

Samuel Montagu is placing 2.17m shares with institutions and offering 1.17m for sale, representing 24.7 per cent of the enlarged equity. At the 150p offer price, Clinton is valued on an historic p/e of 16.4 on the basis of earnings per share of 9.18p for the year ended January 31 1988.

Mr Don Lewin, chairman and managing director, opened his first shop in Epping 20 years ago, naming it after his son. There are now 77 Clinton Cards shops, all in the south east and East Anglia, which last year sold 25m cards. Hallmark is the main supplier at 40 per cent.

"Most of our customers are women between 20 and 45," said Mr Lewin. Funny cards are gaining in popularity but the best sellers remain the sentimental ones with long verses. Horses and dogs always go down a treat.

Don Lewin: best sellers remain sentimental ones

Clinton's cards range from 45p to £30, and for the latter you will get a giant satin padded creation with bows and ribbons that plays a tune. Cards represent 66 per cent of Clinton's business, gift wrap 9 per cent, stationery and novelties another 9 per cent, and what the company calls "plush" the final 16 per cent - soft toys and cartoon character products.

The UK greeting card business is worth about £470m a year and Clinton has a 3 per cent market share. Specialist shops have 25 per cent of the £470m, with the chains such as WH Smith holding the balance.

Clinton's policy is to choose prime sites in the High Street and quality shopping malls. "I like to be close to Marks and Spencer," said Mr Lewin.

The offer and placing will raise £2.6m for the company, to be used for expansion. Don Lewin's aim is to see a Clinton shop in every major town in the country.

● comment

Specialist retailers have been having a fairly good time of it recently and Clinton could be one to add to the list. Pre-tax profits have risen from £118,000 in 1984 to £1.56m in 1988. Cards are a growth market — people still want to send tangible greetings but they are too lazy to write, hence the boom in both seasonal offerings and "trivial" cards of the "Hi, I'm just sitting here thinking of you" variety. Clinton has a solid record of steady growth, a wealth of experience in its management and the potential — with fresh funds — to grow quickly both organically and through acquisition. The price is not extravagant.

AAH buys chemist chain

AAH Holdings, the industrial group, has strengthened its pharmaceutical distribution side by acquiring W. Jamieson, which has 29 retail chemists in South Yorkshire and North Derbyshire.

The maximum payment of £14m will be satisfied by the issue of up to 4.75m new AAH shares and up to £1.4m in cash. The vendors have already received 4.28m shares and £1.26m — the balance depends on profits and assets disclosed in accounts being prepared.

It is expected that profits — after the elimination of non-continuing expenses — will be £1.6m and net assets £2.07m.

COMPANY NEWS IN BRIEF

DERBY TRUST: Based on unaudited figures the trust's portfolio was valued at £44.6m at March 31 compared with £42.54m at end-December. Assets attributable to capital shares amounted to £39.85m (£37.69m) or £3.10 (£2.93) per share.

FIRST CHARLOTTE Assets Trust: Net asset value 14.01p (17.25p) and net revenue £61,000 (£47,000) for year to end-March 1988. Dividend 0.06p (0.05p).

ENGLISH NATIONAL Investment made net revenue £341,000 for year ended March 31 1988 (£292,000). Earnings per preferred ordinary 11.7p (10.4p) and final dividend 7.45p making 11.35p (10.45p); earnings per deferred ordinary 6.8p (5.5p) and final dividend 5p for 6.45p (5.55p) total. Net asset values: preferred 280.06p (287.5p) and deferred 205.06p (212.5p).

FKB GROUP: The recent rights issue was taken up as to 7.31m ordinary shares (92 per cent).

DAVYVILLE has acquired Country Farm Ice Cream, of south Wales, for a six figure sum.

DEWHURST DENT (textiles, leather, gloves, footwear): Turnover £10.17m (£8.7m) and pre-tax profits £633,023 (£584,818) for half year to January 19. Tax £221,558 (£168,250). Earnings 1.64p (1.96p). Company's ordinary and deferred shares are not listed.

DECLAN KELLY GROUP (unquoted housebuilder) lifted *pre-tax profit* to *£3.1m in 1987* (£1.6m) from turnover of £34.5m (£19.2m). Trends suggested that level of growth would continue in current year, directors said.

GOLD & BASE Metal Mines (investment holding company): Pre-tax profits £72,500 (£58,800) for 1987. Dividend 0.4p. Earnings per 12½p share 0.46p (0.49p)

EX-LANDS (investment holding company): Pre-tax profits £202,900 (£156,000) for 1987. Dividend 0.9p (0.75p). Earnings per 10p share 3.44p (2.72p).

UK COMPANY NEWS

Strong growth all round lifts Laporte to £75m

BY ANDREW HILL

Laporte Industries (Holdings), international chemicals group, increased pre-tax profits to £75.2m for the 53 weeks to January 3, against £64.2m in the year to December 28 1986.

Turnover was up almost 10 per cent to £463m (£422m) and earnings per share increased to 35.8p (30.1p).

Mr Ken Minton, chief executive, said all divisions had shown substantial growth. Overseas operations increased profits by 50 per cent to £18.8m (£9.2m), and UK profits rose to £24.7m (£19.8m).

Buoyant demand for hydrogen peroxide worldwide meant a strong contribution from Interox, jointly owned with Solvay, the Belgian chemicals group. Laporte's half-share made profits of £33.4m (£30.5m) on turnover of £156m (£143m).

Mr Minton said high margins at Interox – currently about 21 per cent – would be sustained this year, but growth in Europe was likely to be more modest in future as non-European operations expanded.

Solvay increased its stake in Laporte from about 20 per cent to 25 per cent following the October crash. Mr Minton said yesterday he was happy with the Belgian group's shareholding.

Profits from the paper and water treatment division, which accounts for some 20 per cent of non-peroxide turnover, grew about 60 per cent, helped by acquisitions.

Laporte expects profit and turnover to show organic growth of more than 10 per cent in 1988. Mr Minton said further purchases were likely, probably funded from Laporte's cash flow and actual profits and sales should grow by more than 20 per cent as a result.

An increased final dividend of 7.6p is recommended, making 12p (10.25p) for the year.

● **comment**

A languid pre-Christmas market latched on to a scare story that Laporte's US rivals, Dupont, had developed a more efficient way of manufacturing hydrogen peroxide and gave the UK group's stock a rough ride. Since then fears of overcapacity in the peroxide operation have been dispelled but a general lack of excitement has led to a downward drift in the share price, which now looks reasonably attractive. Laporte's customers are spread through a variety of industries, reducing the group's exposure to cyclical markets, and 1988 should see increased momentum from the wholly-owned businesses. Rising margins in UK operations, continuing strong cash flow and the likelihood of more acquisitions now promise earnings growth of 15 per cent or more and pre-tax profits could advance to between £83m and £86m this year. At yesterday's closing price of 383p, down 9p, the shares are on a prospective multiple of less than 10, a slight discount to the chemicals sector.

IBC profits treble to over £5m

By Clay Harris

THE OCTOBER crash has not reduced demand for share "tip sheets", according to International Business Communications (Holdings), the business publications and conferences group. It nearly trebled pre-tax profits to £5.32m in 1987.

Mr Michael Bell, chief executive, said yesterday that subscription renewals for IBC newsletters, which include Fleet Street Letter, Penny Share Guide and New Issue Share Guide, had not been affected by the crash, although a lower marketing profile had been adopted.

The pre-tax advance from £1.86m included a three-month contribution of £1.9m from Barham Group, the publishing and advertising company for which IBC paid £98m in September.

Existing businesses increased profits by 83 per cent. Group turnover nearly doubled from £15.2m to £29m, of which Barham accounted for £6.6m.

Still unresolved from the Barham bid is the question of whether IBC will have to reopen cash terms for the small number of shareholders who still have not accepted. IBC maintains that relevant provisions of the Companies Act do not apply in its case because of the structure of its offer.

It is increasingly likely, however, that this stance will face a legal challenge from a shareholder – which IBC believes to be a clearing bank – owning more than 200,000 shares. If any legal action did go against IBC, Mr Bell estimated that additional cash payments would not exceed £1m.

After tax of £1.9m (£632,000) and minorities of £74,000 (£2,000), earnings per share were 57 per cent ahead at 11p (7p). A proposed final dividend of 2.5p will raise the total to 3.5p (3p).

● **comment**

Although IBC believes only a two-year bear market would begin to curb appetites for tip sheets, it is just as well that its core business is nearly evenly split between subscriber newsletters, business publications and conferences. IBC has not suffered by comparison with more narrowly focused or advertising-sensitive competitors. Since the crash, its shares have out-performed Euromoney Publications and Third Market pioneer Publishing Holdings and held their own against USM high-flyer Blenheim Exhibitions. In any case, IBC's tip sheets transcend a narrow definition, and implementation of the Financial Services Act should fuel demand for some of the half-professional, half-consumer titles from intermediaries. The property flotation and disposals, as well as cash generation of £10m, would wipe out net borrowings of £13m if not for the plan to resume acquisitions. On pre-tax profits of £13m, earnings growth would slow to a pace of 24 per cent, reflecting the full-year effect of shares issued for Barham. The prospective p/e of 9 is in line with Euromoney but less than a third of the historic multiple paid for Barham.

Costain held back by engineering side

BY NIKKI TAIT

SHARPLY LOWER profits from its engineering and construction side left the pre-tax total at the building, property and mining group, Costain, only 3 per cent ahead at £86.2m in 1987. The 1986 figure was £84.3m.

The City, however, had expected a static picture and, despite a small drop in earnings per share from 27.5p to 25.7p, marked the shares 8p higher at 324p.

Costain also announced that it intends to finance the A$72.2m (£28.5m) acquisition of the remaining 33 per cent of Costain Australia by a placing of 10.1m new shares. The placing price is 295p and under an open offer shareholders can claw back on the basis of one new share for every 16.5312 already held.

Mr Peter Costain, chief executive, also revealed that recent buying by Trafalgar House had taken its holding to just under 7 per cent.

Costain's profits are scored on turnover up from £866m to £970m. In the engineering and construction division operating profits tumbled to £14.3m (£21.7m). Costain says that much of the downturn was due to exceptional provisions on its tunnelling project in London's Docklands and to the costs of a settlement on a building contract dating from the late-sixties.

Housing contributed £12.5m (£9.8m), after start-up costs of £1.5m in California. UK completions totalled 2,212 (2,140) and the average selling price rose from £47,500 to £58,000.

Mining profits rose strongly from £26.2m to £38.2m. Property made £18.8m (£17.2m), and there was a £24m revaluation surplus (net of realised gains).

● **comment**

Thoughts that engineering and construction – where order books are now around 16 per cent ahead overall – could claw its way back to within sight of the 1986 figure this year had analysts rapidly revising forecasts yesterday. Certainly, after three years of near-static profits, Costain seems set to fire on all four cylinders. Aside from the construction bounce-back, there should be a strong contribution from the non-coal operations on the mining side, and with house prices steaming ahead Costain's aim of higher margins – rather than a volume chase – seems on course. The minuses may be a rising interest charge as the company funds expansion and gearing rises, and a higher tax charge. On the latter score, Capital Gains Tax changes in the Budget have brought some relief, and 32-33 per cent seems an outside estimate. Forecasts now range from £81m to £85m, suggesting a prospective PE of 10-11. Clearly, there is some lingering premium for the Trafalgar factor – but increasingly the rating seems almost justifiable on trading grounds alone.

Singer & Friedlander exceeds forecast with £7m at 9 months

BY DAVID LASCELLES

Singer & Friedlander Group, newly-independent merchant banking and property group, yesterday reported pre-tax profits of £7.1m for the nine months to December 31.

The results were slightly better than the company forecast at the time of its listing in September. Mr Tony Solomons, chairman, said that despite the market crash, business had turned out better than expected, and the group was benefiting from its independence of the large City financial conglomerates.

The group consists of the Singer & Friedlander merchant banking companies and the former Gilbert House property company. Profits were almost equally divided between merchant banking (£3.3m) and property (£3.6m). After interest and tax the profit was £4.5m. The proposed dividend is 0.75p per share, leaving retained profits of £2.7m.

Because of the major restructuring undergone by the group in the last 12 months, previous comparisons are difficult. However, the Singer & Friedlander companies within the group earned £13.1m in the whole of last year, up from £11.9m the year before.

Following the sale of Centrovincial Estates in March, the group now has about £60m in cash. Mr Solomons said the company was in no hurry to spend the money, but would wait until suitable opportunities for diversification and expansion arose. He singled out insurance broking as a possible area.

Earnings per share were 3.04p. Pro-forma annualised earnings for 1987, excluding the Centrovincial dealing profits, were 4.8p a share.

Kentish Property progress

Kentish Property Group, a specialist in residential developments in north and east London, made strong progress during 1987 returning profits for the year of £3.98m pre-tax from a turnover of £19.66m.

The profits compare with a restated £1.06m for 1986 and with a forecast of not less than £3.4m when the group came to market last July with a value of £36.7m. 1986 turnover amounted to £7.01m.

As promised shareholders receive a dividend of 2.25p.

Owners expands in Canada

Owners Abroad, the travel company which owns Air 2000, the UK charter airline, has set up Air 2000 Airlines, a new Canadian charter associate company. It will be based in Toronto.

It has been formed in conjunction with a group of Canadian investors, with Air 2000 itself retaining a 25 per cent interest in accordance with Canadian Government regulations.

The total start-up costs of the new airline are not expected to exceed C$6m of which Air 2000 will contribute C$1.5m (about £700,000).

Bristol Water

Lyonnaise des Eaux, the diversified French water distribution company, has acquired just over 15 per cent of the voting stock in Bristol Waterworks Company.

Lyonnaise, a private company, has purchased £85,000 nominal of 3.5 per cent maximum ordinary stock and £207,696 nominal of 3.5 per cent consolidated preference stock.

Bardsey rallies to £0.8m

WITH SECOND half profits topping £470,000, Bardsey is to return to the dividend list with 0.25p for 1987 – the first payment since 1983.

Over the year this manufacturer and distributor of hand tools lifted pre-tax profits from £248,000 to £802,000 on turnover virtually unchanged at £28.73m (£28.53m).

Earnings worked through at 3.17p (1p) after tax £67,000 (£10,000). There were extraordinary costs of £159,000 (£294,000) including £125,000 relating to the sale of loss-making Leylux (1986).

Great Southern

Great Southern Group has bought three funeral businesses for a maximum of £805,000, of which £725,000 cash will be paid on completion. The businesses are D. Caesar Jones Funeral Service, Cardiff, Kellaways (Funeral Service) of London and a 25 per cent stake in Morecambe & Heysham Funeral Service.

Regina Health

Regina Health & Beauty Products pre-tax profit dipped from £148,000 to £62,000 on substantially increased turnover up from £685,000 to £1m for the six months to December 31 1987.

1 Tax took £22,000 (£57,000), and earnings per share were 0.2p (0.6p).

Frost profits advance by 22%

Despite a decline in turnover from £57.95m to £40.57m, taxable profits of Frost Group expanded by 22 per cent to £2.32m in the year to end-December.

Tax took £539,000 (£392,000), leaving earnings per share of 12.52p, up from 10.67p in 1986.

The directors propose a final dividend of 4p, making 7p (5.25p) for the year.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY–Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

OUTPUT–By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

EXTERNAL TRADE–Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

FINANCIAL–Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

INFLATION–Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

*Not seasonally adjusted. †Not changes in amounts outstanding, excluding bank loans.

APPOINTMENTS

Senior posts at Thomas Cook

Mr Christopher Rodrigues has been appointed chief operating officer of the THOMAS COOK GROUP, with special responsibility for marketing, product development and the group's national and international travel networks. He was with American Express. Mr Ian Knox becomes director of finance and operations. Mr Rodrigues and Mr Knox have been elected to the group board. Mr Ian Fox assumes responsibility for group developments in Europe and the US. Mr Mark McCafferty becomes managing director of Thomas Cook Travellers Cheques.

Mr Alistair Johnston has been promoted from financial controller to financial director of SHADOW UK.

★

Mr Alan Little has joined PRICE WATERHOUSE as a management consultancy partner in London, where he will head the human resources consultancy. He was managing director of organisation and management development for Hay Management Consultants.

★

Mr John Rowson becomes senior partner of HERBERT SMITH on May 1, following the retirement of Mr John Goble, who will become a consultant. Mr Walter Poll and Mr Willie Roxburgh are also retiring. Mr Ian Gault (company), Mr Iain Rothnie (property), Mr Jonathan Scott and Mr Martyn Herbert-Smith (litigation) join the partnership on May 1.

★

THE BRITISH ELECTRICAL SYSTEMS ASSOCIATION has appointed Mr Ray Harris as director to succeed Mr Jim Ray who has retired.

★

Following the regrouping by C.I.GROUP of its precision engineering companies, the board of the newly-formed Cooper Lench (Precision Engineering) comprises: Mr Albert Hargreaves, chairman (he remains managing director of Bipel, and is on the main group board); Mr David Taylor, managing director (formerly finance director of Bipel); Mr Tom Robins, production director (formerly general manager, P.P.E. (Birmingham)); Mr Geoff Quick, sales director (formerly sales director, Meads Cooper); and Mr Richard Lench, director (formerly managing director, Lench's (Birmingham)). Mr Paul Wright has been appointed finance director of Bipel. He was with Arthur Young.

★

GARDINER GROUP, Rochdale, has appointed Mr Trevor A. Brentnall as a non-executive director. He is a partner in Turner Kenneth Brown, and a non-executive director of Wilshaw Securities, and Baldwin.

★

EPG COMPUTER SERVICES has appointed Ms Anne Tyler, Mr David Waring and Mr Jim Armitage to the board.

Touche Ross partners

TOUCHE ROSS & CO has admitted the following as partners: Mr Iraj Amiri (Manchester audit); Mr David Beech (Manchester tax); Mr David Cruickshank (London tax); Ms Deborah Goodwin, Mr Colin Hudson, Mr Chris Leck, Mr Roger Miles (London audit); Mr Egmont Kock (national maketing); Mr Bill Martin (London CAD); Mr R. Andrew Martyn-Johns (Bristol audit); Mr Tony Meeke (Manchester CFG); Mr Steve Redhead (Manchester forensic). At Touche Ross Services: Mr Tony Cotter (planned warehousing); Mr David Dixson, Mr Ian Livesey, Mr Graham Shore (London MC).

★

Mr Michael Slade has been appointed assistant director of supplies and transport at BRITISH GAS, and Mr R.D. Reader becomes purchasing manager, supplies and planning.

★

Ms Sarah Dunn has been appointed marketing manager for the funds group of E.D. & F. MAN. She was manager of marketing and sales of international publications at Dun & Bradstreet International.

★

Mr John Guy has joined THE DEE CORPORATION as director of property services. He was director of G.U.S. Property Management.

★

Mr J.F. Newman has been appointed chairman of HOOGOVENS (UK), succeeding Sir Antony Driver who has resigned.

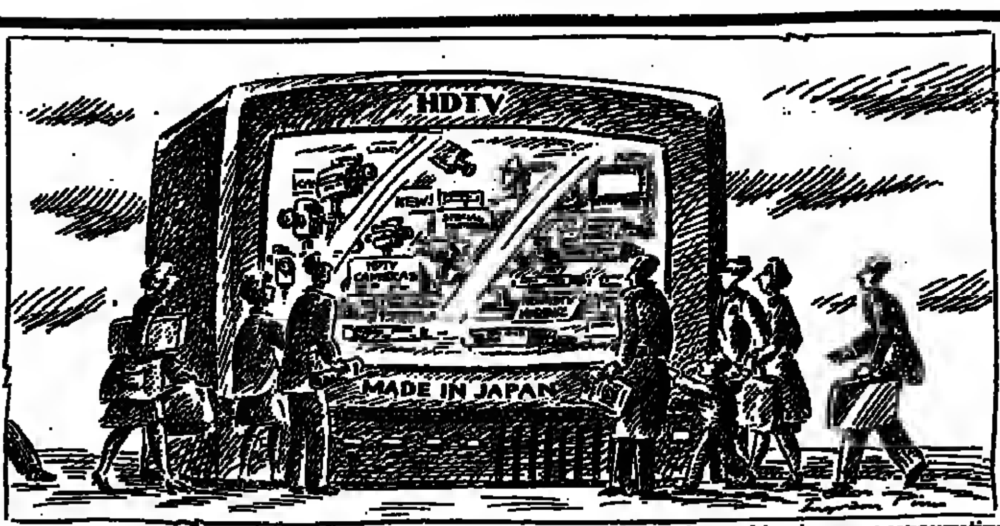
★

Mr Mark Potashnick will join KLEINWORT GRIEVESON SECURITIES in May. He was a director of Bisgood Bishop, and then ran County NatWest's market-making activities.

High-definition television

Japan tunes in while Europe talks

BY CARLA RAPOPORT in Tokyo



HIGH-DEFINITION television (HDTV), to most Europeans, represents another irritating source of trade friction with Japan. Indeed, very few products have been so controversial before their public debut.

But to the Japanese, HDTV is a vast, unexploited commercial opportunity. While the debate over standards rages on in Europe, Japanese manufacturers are quietly pushing ahead with product development and the marketing of HDTV in a wide range of areas and markets.

"In our view, HDTV has sales potential unmatched by any other consumer electronics product to date," states a report by Nomura, Japan's leading stockbrokers. "Its applications go far beyond broadcasting, to printing, movie making, data transmission, medical equipment, surveillance systems and CAD/CAM (computer aided design/computer aided manufacturing) displays," says Nomura.

The HDTV receiver market alone, it reckons, will be worth Y4,000bn (£17.2bn) within 12 years, with the video tape-recorder (VTR) and video disc player market for HDTV worth another Y2,400bn.

With years of experience of HDTV already under their belts, Japanese companies such as Sony, Toshiba, JVC and Hitachi are set to dominate this market. The current debate over standards with Europe is less absorbing to these companies than the future applications of the product.

Many privately believe that the standards problem will not be solved amicably because of the political nature of the debate. As a result, the Japanese say they will have to produce different TV sets for different markets, in the same way that they do with the current diverse-standards systems for conventional television.

They view this as regrettable, but believe it will not hamper the Japanese lead in HDTV development. For example, despite the debate on standards, the Japanese consumer will still be the first to enjoy HDTV. Thanks to the fact that long years of research have already been completed, Japanese companies, with the aid of government sponsorship, will be able to broadcast the first public HDTV programmes this autumn.

These will be experimental broadcasts of the Seoul Olympics shown at 200 HDTV monitors around Japan.

In 1990 and 1991, two broadcasting satellites will be launched for the transmission of HDTV broadcasts and the domestic market is expected to take off from there.

According to Sony, one of the leaders of HDTV equipment development, the first HDTV sets will cost 1.5 to 2 times the price of a conventional television set. Sony believes prices should start to decline by 1995 when HDTV set production is expected to rise.

Growth of HDTV, the companies believe, will depend on superior programming on the HDTV channels as much as the superiority of the product.

With this in mind, the Japanese are already working hard on promoting HDTV production equipment to the film and television industry. Sony says that 100 VTRs and nearly 50 HDTV cameras are currently in use in production studios, broadcasting companies and research laboratories in the US, Japan and Europe.

Hiroshi Tanimura, Director of Engineering at Sony's Communication Products Group, believes that eventually all movie-makers and television producers will switch to HDTV. In movie-making, for example, he says that HDTV equipment saves about 30 to 40 per cent of the cost of production by eliminating film development charges and costly retakes.

The HDTV system operates like video equipment, but offers 35mm picture quality because of the extra number of scanning lines. The Japanese system has 1,125 scanning lines, compared with the conventional 525 lines in Japanese television today. The HDTV system also has a broader width-to-height image ratio.

As a result, a film maker can instantly see the full-quality result of a day's shooting, without waiting for film development. Current video technology does not give the same high quality as HDTV. Further, it is cheaper and easier to achieve many special effects using HDTV because time-consuming film splicing is eliminated.

Nonetheless, Sony admits that Hollywood has been slow to respond to tha lure of HDTV. "George Lucas and Spielberg have shown interest, but we haven't caught them yet. Moving-making is a very conservative business," says Tanimura. "We want to rent them the equipment. We are sending our people to Hollywood regularly. Eventually, within five or 10 years, things will change," he says.

Another application for HDTV cameras, he states, will be for still photography. This will be achieved using video disc technology. Each frame of a particular shot, for example, will be stored on the disc, capturing 30 frames per second. The equipment, which is noiseless, will provide the same quality as 35mm film.

The information on HDTV, as it is digital, could also be stored in a computer. Sony believes that the equipment could greatly enhance medical research, although its work in this area is only just beginning.

The future of HDTV will stretch beyond video, according to Sony. And, despite the standards debate, the companies are convinced the vanguard of HDTV development will remain in Japan.

Yesterday's Technology Page examined how Europe views the development of HDTV.

Cambridge hopes US deal will carry the day for Z88

BY PAUL ABRAHAMS

CAMBRIDGE Computer, founded by Sir Clive Sinclair, the British entrepreneur, has signed a distribution deal with Portland-based Diversified Foods to market Cambridge's high-powered, low-cost Z88 portable computer in the US.

Ronald Giguere, chairman of Diversified Foods, believes that the Z88 will create a new market rather than compete with other lap-top computers. The Z88 will retail for $549 and Giguere expects that, with a Cambridge-developed three megabyte cassette (3m characters of data storage), the machine will prove particularly attractive to students.

After a number of false starts, the portable computer market in both Europe and the US is expanding rapidly.

Sir Clive claims the Z88, which is much smaller and lighter than any previous machine, outsold all other computers in the UK light portable, or lap-top, market during the last quarter of 1987.

Indeed, he believes that volume sales of the Z88, when compared with market estimates provided by Romtec, the computer analysts, were greater than those of all other portable machines put together. Romtec estimates that in February this year the Z88 won 20 per cent of the UK market.

However, Sir Clive admits Cambridge needs to find markets abroad in order to establish the kinds of turnover volumes necessary to support Z88's low cost. Even with relatively low unit sales, more expensive portables from Toshiba of Japan and Compaq of the US dominate the UK market in terms of value.

The necessity of selling abroad is increased by the present small size of Britain's portable computer market — last year, only 18,000 were sold, though analysts believe the Z88 and Amstrad PPC are transforming the sales outlook.

Sir Clive is also hoping to expand in Europe. In the next two months he is launching Italian and French versions of the Z88.

The machine will be launched in the US in May, once Diversified Foods has established 10 regional distribution centres. Giguere expects to sell 100,000 Z88s in 1988 and between 200,000 and 300,000 in 1989.

He believes that the main attractions of the machine are its size, lightness and price. The Z88 can be placed easily into a briefcase. It weighs under two pounds, is less than two centimetres thick and has the dimensions of an A4 pad.

The machine has only four chips: a processor, a read only memory chip, which handles the programs, a random access memory chip, allowing access to data, and a fourth chip, designed by Cambridge Computer. This last microprocessor handles all the rest of the Z88's functions and is the key to the machine's compactness.

The Z88 is made in Scotland by SCI, which also produces hardware for a large number of other companies including IBM.

WORTH WATCHING

Edited by Geoffrey Charlish

Logica leads way for UK radiation monitor

DETAILS of the first stage of Rimnet, Britain's national radiation monitoring network, have been announced. Logica, the London-based computer systems and software house, is leading a UK consortium of companies in a contract awarded by the Department of the Environment.

Taylor Woodrow and Eberline Instrument Company, under contract to Logica, will build 46 monitoring stations at Meteorological Office sites throughout the UK.

Rimnet, to become operational in the summer, will form part of tha National Response Plan announced by the Prime Minister last year, following the Chernobyl accident in April 1986.

Hourly readings will be transmitted to a central database employing Digital Equipment computers and Oracle database technology.

Logica is writing software that will interrogate and interpret the radiation data. Comparison with normal radiation levels will activate alarms if necessary.

Why GM's expertise is not the retiring kind

RESEARCH ENGINEERS at the General Motors Technical Centre in the US have captured for posterity the expertise of one Charles Amble.

Amble knew a great deal about curing production machinery faults at GM's Saginaw plant. So the maintenance engineer, who retired recently, was interviewed extensively by the research team and his know-how has been encapsulated in an "expert" computer system. Expert systems give computers the ability to make human-like judgments.

Called Charley, the system makes use of vibration data captured from the production machines. Although these "vibration signatures" are easy enough to obtain, it is much more difficult to say what they mean.

Amble could do this, and his knowledge has been safely stored away. As a result, Charley has 1,000 vibration analysis rules built in. It can compare the measured signals with its memory of the normal traces, and either give the machine a clean bill of health, or say what action needs to be taken.

Charley can indicate precisely those parts that need attention and can diagnose unbalance, misalignment, mechanical looseness, structural weakness, bearing wear and many other problems.

The system is being phased in to GM plants and the company is studying plans to market the technology generally.

Trucks travel road to journey efficiency

A CLEAR hint of the direction that commercial vehicle/driver journey recording is taking is afforded by UK announcements from Veeder Root of Dundee and Stemco Truck Products of Newbury.

Veeder-Root, part of Danaher Corporation in the US, specialises in tachographs. These cab-mounted instruments, mandatory in the European Community for vehicles over 3.5 tonnes, record a driver's time behind the wheel and other data on a circular chart.

Apart from changing to the chart-mounting standards of competing companies, Kienzle and Jaeger, and making some ergonomic and manufacturing improvements, Veeder-Root's new model 8300 also enables more operational information to be obtained and manipulated.

In particular, the company is providing an electronic data output which allows the information to be accumulated in a semiconductor storage module.

Back at the depot, the module's contents can be downloaded into a computer. This means detours taken by drivers can be seen very quickly on screen. The alternative has been to sort though all the charts manually.

In the US, tachographs are almost unknown. But there is a federal requirement for drivers to log their hours and US companies like Stemco (part of Colt Industries) have developed purely electronic recording systems rather similar to Veeder-Root's add-on module.

In Stemco's computerised trip recorder (CTC), the driver has an (optional) in-cab display. There are no charts. The company also offers a hand-held unit that allows the driver to enter other data, such as pick-up and delivery details.

The systems of both companies can record information like speeding, over-revving, footbrake and clutch use, oil and coolant details and tail-lift operation.

The long-term future of the tachograph in the face of electronic developments is doubtful, according to Stemco's European product development manager, Jim Kerrigan. He says Stemco will exploit the whole commercial fleet market, including the "tachograph" segment above 3.5 tonnes. The CTC is being evaluated in the UK by several commercial fleet operators.

Service suppliers will gain data initiative

THE data communications market will see a pronounced shift in demand from products to services in the years to 1992, says a report compiled by Butler Cox, the UK-based management consultants.

During the period, the European market for services will treble to $55.5bn, whereas that for hardware and software will only double, to $12.8bn.

A primary reason, according to Butler Cox, is that user organisations cannot get the skilled staff they need to implement their own networks, so they are turning more and more to service providers.

In addition, says the study, investments in data communications are becoming a strategic matter, with decisions made at board level, rather than by a company's computer department.

Such policies are causing suppliers to shift from selling hardware and software to selling complete business solutions, which they must support throughout the system's useful life.

"The Battle for the European Data Communications Market" is in six parts. The 400-page main report provides a country-by-country analysis. The five other studies look at the implications for users, and for the suppliers of telecommunications equipment, data equipment, computing systems and national telecoms services.

CONTACTS: Logica: London, 637 9111. GM Technical Center: US, (313) 986 5715. Veeder Root: UK, 0382 84161. Stemco Truck Products: UK, 0635 38688. Butler Cox: London, 831 0101.

COMMODITIES AND AGRICULTURE

Australia plans wheat market deregulation

By Chris Sherwell in Sydney

THE Australian Government yesterday foreshadowed deregulatory changes to the way wheat is marketed at home and abroad. Wheat is one of the country's most important export crops.

The Government's thoughts were spelt out by Mr John Kerin, Minister for Primary Industries and Energy, in an initial response to two reports on the grains industry.

He was speaking to the annual conference of the Grains Council of Australia, in Adelaide.

He said Australia needed a marketing system which was "aggressively competitive, minimises costs and captures all available price premiums and profitable opportunities."

Referring to the Wheat Marketing Board, the statutory body with sole responsibility for marketing wheat at home and abroad, he said it needed more commercial flexibility.

"The board remains subject to controls that can detract from its commercial performance," he said. Its structure should be changed and it sheuld make more decisions itself.

As fer the Government's underwriting system, which lay behind the controls constraining the board, the minister said the grains industry should consider funding its own scheme.

In exports, where be said the board's competence was not in question, its administration and marketing costs were spread across all growers, who had no choice about costs incurred on their behalf.

"The lack of competitive pressures on the board either in acquiring wheat or in marketing makes it difficult to guarantee that costs are contained and are appropriate te a particular grower's circumstances," the minister said.

He said the board's monopoly should only be continued in markets where its ewn market power or efforts allowed it to reap a premium.

In domestic marketing, he said the board should be given greater flexibility to negotiate prices. Greater private-sector competition should be allowed.

"Competitive pressures would improve the transport and handling system. Costs would be more closely borne by those that incur them," he said.

The board would remain the biggest single influence in the market but it would be a more commercial, flexible, efficient operation, he said.

The two reports to which he was responding came from the Industries Assistance Commission, which Iocused on wheat marketing, and a Royal Commission into Grain Storage, Handling and Transport.

Brussels sets apple import limits

BY TIM DICKSON IN BRUSSELS

A TRADE dispute seems certain to erupt over the European Community's decision yesterday to bar further apple imports from Chile this year and to set clear limits on amounts sent to Europe by South Africa, New Zealand, Argentina and Australia.

The so-called safeguard measures were prompted by a sharp rise in EC stocks and withdrawals, that is Community purchases, and by recent falls in the price of certain varieties, notably in France and Italy.

However, Southern Hemisphere producers say the latest action is contrary to rules laid down by the General Agreement on Tariffs and Trade and contravenes the spirit of the standstill deal reached at Punta del Este in 1986.

Under the deal the world's main agricultural producers agreed not to impose further protectionist measures.

They say the EC's farmers already enjoy adequate tariff protection and that there is a clear consumer demand for their products.

Concern in Brussels about the volume of imported apples has been growing since the early 1980s. Last year the European Commission asked the relevant countries to provide estimates of their European sales for the March-July period.

At the same time the commission indicated the levels which it considered acceptable and started making noises about the necessity for some sort of voluntary restraint on the part of third countries.

With imports from Chile and South Africa, in particular, showing sharp rises last year, the next step was introduction in February of import licences, initially for surveillance purposes only but intended as a basis for safeguard measures if these became necessary.

The commission, armed with forecasts for this year which are well beyond last year's actual figures, is now in effect applying that strategy by spelling out quota levels long up its sleeve.

Yesterday's announcement said suspension of licences for Chile introduced this month would continue until the end of this season.

Chile is being restricted to 142,131 tonnes – a limit already reached – which compares with imports of 158,000 tonnes last year and a forecast for this year of 200,000 tonnes.

South Africa will be allowed to import 166,000 tonnes (against a 199,000-tonne forecast), New Zealand 115,000 tonnes (135,000 tonnes), Australia 11,900 tonnes and Argentina 70,000 tonnes. A total 17,800 tonnes has been set aside for others.

Southern Hemisphere apples traditionally arrive in Europe between March and July. Under Gatt rules they attract an average duty of 6 per cent and must be sold at a minimum import price of 1.7 times the EC's basic price.

The basic price is a notional one set annually by Brussels, designed to provide EC farmers with an adequate return. The EC also sets an intervention price, a market-floor below which the EC is required to step in and buy, that is withdraw, apples.

European apples are usually harvested in November and sold from storage for the rest of the year. Importers say consumers are prepared to pay the extra costs for fresh supplies of the fruit and complain that their economies will suffer from the curbs.

THE PROCEDURAL hiccup over plans to curb costs in the European Community wine sector now appears to have been resolved.

Europe's Farm Ministers agreed late on Tuesday night that all other aspects of the key stabilisers package can be formally adopted by EC Foreign Ministers at their meeting in Luxembourg next Monday and that proposals for the wine sector – yet to receive a formal Opinion from the European Parliament – can be endorsed later, probably at the end of May.

Certain member states, notably Britain, have insisted that the wide ranging package of automatic price cuts and production thresholds should not be split but it appears that, subject to a Danish reserve (the result of the snap election in that country), all member states are now happy that no attempt will be made to water down the new measures for wine.

Nickel up on talk of supply halt

By David Blackwell

THE CASH nickel price on the London Metal Exchange soared in morning trading yesterday following rumours that Falconbridge, the Canadian producer, was about to declare *force majeure* on shipments of ferro-nickel to some US customers.

The cash settlement price – struck at the end of the official morning ring – was more than $2,000 up on Tuesday's closing price at $18,700 a tonne.

But prices eased in afternoon trading after Falconbridge denied the rumours – only to confirm them late yesterday evening in Toronto.

At the close of the unofficial afternoon ring the cash price was $17,800 – a rise of $975 on the day.

The *force majeure* follows the group's decision on Tuesday to suspend ferro-nickel output at its plant in the Dominican Republic, where it is in deadlock with the Government on negotiations over export duties.

Labour calls for public inquiry into Chernobyl response

BY BRIDGET BLOOM

A PUBLIC inquiry into the Government's handling of the emergency following the Chernobyl accident has been called for by the British Labour party, which claims that "tens and possibly hundreds of thousands of people" will have eaten lamb with high levels of radioactivity in the seven weeks that it took for restrictions to be placed on the movement and sale of sheep in affected areas.

Dr David Clark, Shadow Minister for Agriculture and Rural Affairs, yesterday charged the Government with being ill-prepared to cope with the after-effects of Chernobyl. A public inquiry was necessary to try to ensure that the same mistakes were not made again in the event of another nuclear accident.

In a report* published yesterday Dr Clark alleged that nearly 60,000 sheep and lambs were sold in Cumbria and Scotland in the early summer of 1986 before restrictions were imposed.

In addition, blue paint used to mark sheep following the imposition of restrictions often washed or rubbed off leaving farmers who had bought sheep from the affected areas unable to identify animals which should not have been sent to slaughter. Thus it seemed that "tens and possibly hundreds of thousands of people could have eaten lamb with high levels of radioactivity," Dr Clark told a press conference in London.

● The National Farmers Union is continuing to insist that all farmers in Cumbria and North Wales who have been subject to Chernobyl restrictions must receive compensation from the Government.

It intends to put the farmers' case before the House of Commons Select Committee on Agriculture when it holds hearings on the Chernobyl affair in Cumbria and in North Wales next week.

The committee has indicated that its investigation includes "the way the Ministry of Agriculture has attempted to minimise the effects of the incident on the farming community in the sense of providing information and making arrangements for compensation."

Restrictions were imposed on 20 June 1986, covering almost 9,000 farms and 4m sheep. They are still in force on about 500 farms. About £5.3m has been paid to farmers in compensation, although according to the NFU 122 farmers have claims of around £500,000 which fall outside the scope of government schemes.

**Chernobyl: An Enquiry through Parliamentary Questions.*

Norway struggles to realise its gas wealth

BY KAREN FOSSLI IN OSLO

NORWAY'S VAST reserves of offshore natural gas are the envy of most nations. But the wealth they represent seems, for the moment at least, more apparent than real because the country cannot find enough buyers.

The lack of markets for Norwegian gas has become a pressing problem because of the decline in the country's income from crude oil and its failure to develop other export industries.

Few big, pure oil finds are being made and of the 5bn tonnes of oil-equivalent discovered off Norway 3bn tonnes is gas.

Hopes of big oil finds in the Barents Sea have not been justified by exploration results. In early-April, Statoil, the state oil company, made the first discovery in the area. It turned out to be a smallish gasfield.

Oil began coursing through Norway's economic veins when the country became a net exporter in 1975, from the prolific Ekofisk field.

Oil revenue's importance has risen since with the start-up of the Statfjord field as well as a host of smaller accumulations.

By last year output had climbed to 77.7m tonnes of oil-equivalent, from 30m tonnes in 1977.

Export earnings from oil activities peaked in 1985 when they reached NKr89bn (£7.6bn) and generated tax and royalty income of about NKr47bn, or 20 per cent of total state revenue.

In 1986, however, low oil prices cut export earnings sharply, to NKr56bn. Tax and royalty income fell below NKr18bn. This year oil sales revenue is expected to reach only between NKr2bn and NKr3bn.

With a non-oil trade deficit well established the oil price collapse pushed the current external account into huge deficit.

Mrs Gro Harlem Brindtland, Prime Minister, declared: "Norway must become less dependent on oil."

However, she recognised that turning to gas was not an easy option: "The Norwegian gas-reserves position permits a substantial increase in sales but the market is the limiting factor."

The market for Norwegian gas has narrowed since the signing in 1986 of the giant Troll-Sleipner gas deal with a consortium of buyers in continental Europe.

Gas deliveries are to start in 1993 and reach a peak level of about 1.9bn cu ft a day by the turn of the century, although supplies will continue until 2020.

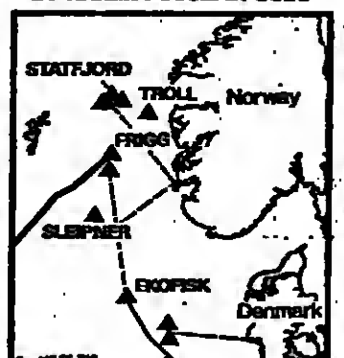
So far the buyers have spurned contract options to increase their purchases. Further, as creation of the European Community's internal market in 1992 draws closer, Norway may find itself faced with joining the EC in order to sell more gas to the Continent.

There is also lack of consensus among the country's energy pundits about the likely future level of domestic gas demand.

This is an important issue because a domestic gas-supply system would pave the way for new export routes to Sweden and Finland, although for relatively small delivery quantities.

Hitherto, Norway's natural choice has been to rely almost exclusively on hydro-electric power to meet domestic energy requirements.

Hydro-electric power, however, has become an increasingly environmental issue while gas-fired power-generation has become a competitive supply alternative.



Hydro-power accounts for 18 per cent of Norway's total energy output, covering total electricity use and providing the basis of supply for the energy-intensive industrial sector.

Until a consensus is reached on domestic energy policy the potential to offload some of the vast quantities of gas at home remains frustrated.

Plans to develop Haltenbanken oil and gas province also remain on hold until policy regarding gas-fired power-generation is settled and until new gas export contracts can be won.

Although there are no big markets for Norway's gas there is potential for supply to several small ones, including Sweden, Finland and Britain.

Without a domestic requirement, however, it is feared the cost of bringing gas from mid-Norwegian offshore fields with relatively small export markets in Sweden and Finland will be too high.

The search for gas-buyers is crucial to the development of mid-Norwegian oilfields. The authorities have not been keen to allow gas-flaring just for the sake of bringing an oilfield on stream.

Further, Norway does not want to be seen burning gas when it is trying to negotiate its sale.

Norway faces tough competition from other potential suppliers vying for the same markets, namely the Soviet Union, Denmark and Algeria.

Ever since the UK Government slammed a last-minute veto on a supply deal agreed between British Gas and Statoil in 1985, uncertainty has surrounded British Gas's ability to include new imports in future plans.

A Statoil executive lamented recently that since the British utility's privatisation "the UK Government seems to have more control."

The UK's major source of gas supply, Norway's Frigg field, is declining much faster than had been expected. It will be almost exhausted by early 1990.

There is potential, however, for Norway to provide fresh supplies to the UK of 1bn cubic metres a year starting in 1993-1994, rising to 2.5bn cu m in 1997-1998 and to between 5bn and 9bn cu m by the turn of the century.

The UK Government will have to clear the way for Norwegian imports but it is not likely to spurn its domestic taxpaying oil companies, which say their own gasfield development schemes will be pre-empted if British Gas buys new imports.

The UK, which has liquefied natural-gas facilities in place at Canvey Island in the Thames Estuary, has in Algeria another alternative to Norwegian supply.

In February British Gas started talks with Sonatrach, Algeria's oil and gas monopoly, to take a three-year supply of up to 280m cu m of gas annually.

Norway also faces stiff competition for the Swedish market, which could amount to between 2bn cu m and 3bn cu m a year if nuclear power-generation is phased out.

Sweden signed two letters of intent in January to take Soviet gas, which seem to meet Sweden's total gas demand.

Statoil did recently sign a deal to supply Spain with 1bn cu m of gas annually for 30 years, starting in 1996, but details related to building intercountry transport links and tariff charges have yet to be worked out.

The US is seen as a potential market for Norwegian liquified natural gas but sales do not seem likely to materialise until the next century, if at all.

Whatever future gas contracts Norway secures the Government will have to rethink its pricing formula.

Gas sales contracts signed with European buyers in 1981 have become a loss-making enterprise for the Government.

The formula governing the gas price has cut government receipts to less than the cost of the gas transportation to Europe.

EC Commissioners reject plan to cut sheep aid

BY TIM DICKSON

THE LONG shadow of the French Presidential election campaign extended to Brussels yesterday when Mr Frans Andriessen, the European Commissioner for Agriculture, surprisingly failed to persuade his colleagues to approve a cut in payments to Community sheep producers.

The proposal was designed to limit the spiralling budgetary costs of the sector – now estimated at Ecu 1.1bn (£725m) for 1988, compared with Ecu 550m last year – and to apply some of the principles of budgetary discipline so painfully agreed at the February Summit of EC Heads of Government.

Mr Andriessen's aim was to alter the method of calculating the ewe premium, the key subsidy paid to sheep farmers which bridges the gap between the EC's "basic" (or target) price and the market price. This is arrived at by working out the necessary income support per lamb and then applying a co-efficient based on the amount of lamb produced by each ewe.

The problem arose last month when a working paper from the Commission illustrated how a technical adjustment in the co-efficient for Spain from 10kgs per ewe to 13 kg per ewe would give rise to Ecu 30m of extra expenditure, thus taking total anticipated expenditure for the sector well over the Ecu 1bn which has been earmarked in the 1988 budget. Mr Andriessen's response was to suggest a 500 gram cut for all member states which, according to Britain's National Farmers' Union, would mean a reduction of around 4m fer UK producers.

Vocal opposition to the idea has been expressed by Mr Francois Guillaume, the French Farm Minister – most recently at this week's Agriculture Council in Luxembourg – and according to Commission officials his campaign was openly supported by Mr Jacques Delors, the Commission president, and the ether French Commissioner Mr Claude Cheysson. Mr Andriessen could only muster 8 of the 9 votes necessary to gain a majority in yesterday's weekly meeting of the 17 Commissioners.

Ne one in Brussels will be surprised if the measure is re-presented to and adopted by the Commission when the battle for the Elysee Palace is over.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES continued their decline on the LME yesterday. The cash price for Grad A metal closed at £1,157.75 a tonne, a fall of £41.50. This took the fall so far this week to £64.50 following last week's [illegible]

COCOA £/tonne

	Close	Previous	High/Low	
May	895	886	900	888
Jly	915	904	922	912
Sep	932	918	938	930
Dec	953	937	960	950
Mar	975	960	980	973
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 50 tonne
Cash	2310-20	2280-310		2320-5		
3 months	2145-60	2140-60		2200-10	2150-70	4,461 lots
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE £/tonne [illegible]

SUGAR $ per tonne [illegible]

GAS OIL $/tonne [illegible]

GRAINS £/tonne [illegible]

POTATOES £/tonne [illegible]

SOYABEAN MEAL £/tonne [illegible]

FREIGHT FUTURES $10/index point [illegible]

GOLD BULLION MARKET [illegible]

WOOL [illegible]

LONDON METAL EXCHANGE TRADED OPTIONS [illegible]

SPOT MARKETS [illegible]

US MARKETS

THE PRECIOUS METALS markets rallied on release of the U.S. consumer price index figure, but persistent trade selling put the markets under pressure for the [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
May	17.85	18.03	17.95	17.57
Jun	17.91	18.14	18.04	17.81
Jul	17.88	18.06	17.92	17.76
Aug	17.75	17.93	17.81	17.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

New York

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	666/6	672/0	672/2	666/4
Jul	676/6	682/0	682/0	676/0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound unmoved

THE DOLLAR and sterling were virtually unchanged in very subdued foreign exchange trading.

The two main events likely to influence either currency ware publication of the US consumer price index and the UK public sector borrowing requirement.

Both figures were rather disappointing, but had very little impact.

March US consumer prices rose 0.5 p.c., compared with 0.2 p.c. in February. The market expected a rise of 0.3 p.c. to 0.4 p.c., although some forecasts were higher.

The main fear was that rising inflationary pressure would lead to a sharp sell off in US Treasury bonds, but after a slight fall, bonds reacted calmly to the news, and the dollar held steady.

The likely impact on the dollar of a high CPI figure was not too clear anyway. A sell off in bonds would have led to a move out of the dollar, but at the same time rising inflation could lead to tighter Federal Reserve monetary policy, and higher interest rates.

There was no sign of any tightening yesterday however, with the Fed adding temporary reserves to the New York banking system, to pull Federal funds down from 7¼ p.c.

The dollar showed small mixed changes at the London close, rising to DM1.6635 from DM1.6630, but easing to Y123.95 from Y124.15, and to SFr1.3750 from SFr1.3755. It closed unchanged at FFr5.6500.

On Bank of England figures, the dollar's exchange rate index fell to 92.1 from 92.2.

Sterling threatened to move above DM3.15 from time to time, but without much conviction, and closed unchanged at DM3.1475. The pound was also unchanged at $1.8935 at the London close. There was a similar lack of change against the Swiss franc at SFr2.6050, and the French franc at FFr10.6975, while sterling eased slightly to Y234.75 from Y235.00, against a generally stronger yen.

According to the Bank of England, the pound's exchange rate index closed unchanged at 78.6.

The March PSBR for the UK was higher than some estimates, at £3.8bn, and the total surplus for the last financial year of £3.6bn was perhaps a little disappointing, but above the Chancellor's Budget forecast of £3.1bn.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6766. Exchange rate index 149.0 against 147.0 six months ago.

The D-Mark closed little changed against the dollar, after a quiet day. The dollar finished at DM1.6620 in Frankfurt, compared with DM1.6630 on Tuesday. The Bundesbank did not intervene when the dollar was fixed at DM1.6626, compared with DM1.6628 previously.

Concern continued about the weakness of the Italian lira, which remained at a record low against the D-Mark.

In Paris there was no sign of intervention by the Bank of France, on a day when the French franc held reasonably steady against the D-Mark, in spite of some nervousness, ahead of the first round of the French presidential elections on Sunday.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.08. Exchange rate index 246.1 against 220.9 six months ago.

The yen rose against the dollar in Tokyo yesterday. Trading was dull, keeping the US currency in a narrow range. Dealers suggested the Bank of Japan might have bought a small amount of dollars at around Y123.90.

Attention turned towards the US consumer prices index, to be published later in the day, amid fears about growing inflationary pressure.

The dollar closed at Y123.90, compared with Y124.35 on Tuesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4425	+2.32	+0.95	±1.5344
Danish Krone	7.85212	7.97983	+1.63	+0.26	±1.5404
German D-Mark	2.05853	2.07604	+0.85	-0.52	±1.0981
French Franc	6.90403	7.05492	+2.19	+0.82	±1.3674
Dutch Guilder	2.31943	2.32864	+0.40	-0.97	±1.5012
Irish Punt	0.768411	0.777769	+1.22	-0.15	±1.6684
Italian Lira	1483.58	1543.60	+4.05	+3.22	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr.20	Latest	Previous Close
£ Spot	1.8950-1.8960	1.8930-1.8940
1 month	0.17-0.15pm	0.13-0.11pm
3 months	0.49-0.45pm	0.29-0.25pm
12 months	1.95-1.86pm	1.19-1.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.20	Previous
[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

April 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8920-1.8965	1.8930-1.8940	0.16-0.13cpm	0.92	0.33-0.28pm	0.64
Canada	2.3255-2.3325	2.3255-2.3265	0.08-0.18cdis	-0.67	0.48-0.61dis	-0.94
Netherlands	3.52¾-3.53¾	3.52¾-3.53¾	1⅛-⅞cpm	3.82	3⅜-3pm	3.75
Belgium	65.75-66.00	65.85-65.95	20-2cpm	2.00	41-20pm	1.86
Denmark	12.09½-12.12¾	12.10-12.11	1½-2½oredis	-2.00	[illegible]	-1.69
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

April 20	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

April 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Apr.20	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

April 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

April 20	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1396.60-1409.20	739.90-745.90
Kuwait	0.51710-0.51760	0.27295-0.27305
Luxembourg	65.85-65.95	34.75-34.85
Malaysia	4.8595-4.8720	2.5670-2.5690
Mexico	4304.30-4325.55	2272.00-2282.00
N. Zealand	2.8475-2.8525	1.5036-1.5050
Saudi Ar.	7.1060-7.1120	3.7510-3.7520
Singapore	3.7900-3.7960	2.0015-2.0025
S. Af (Cm)	4.0395-4.0560	2.1370-2.1400
S. Af (Fn)	5.3680-5.4705	2.8775-2.9325
Taiwan	54.20-54.45	28.60-28.70
U.A.E.	6.9575-6.9635	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.935	1.770	2.942	219.4	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.384	0.727	1.208	90.13	4.107	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.283	0.536	0.891	66.46	3.029	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.427	0.809	1.345	100.3	4.571	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.430	0.814	1.353	100.9	4.600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.517	2.874	4.777	356.3	16.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Long gilts look vulnerable

VOLUME OF trading in short sterling deposit futures remained strong on Liffe yesterday, and trading in long gilt futures picked up a little.

Both contracts weakened, but traders appeared happier with the performance of short sterling than long gilts.

There was a nervous tone to gilts with dealers suggesting that today could bring increased selling pressure, and a desire to find the best level to get out.

One dealer commented that be believed it was much easier to find sellers of gilts than buyers at present, and that investors are giving serious consideration to liquidating long positions. He added that many market makers are still long of stock, taken on at the time of the Budget.

At one time June long gilts fell below a technical support level of 122-08, to a low of 122-06. The contract closed at 122-08, compared with 122-19 on Tuesday, but amid general uncertainty that the market can hold present levels. Three-month sterling deposits also fell on Liffe, as cash rates tended to firm on the London money market. June delivery fell to 91.70 from 91.83. The price fell on technical considerations once 91.75 was breached, but traders see little immediate danger of the next support at 91.60 being tested.

Yesterday's PSBR figure had no impact. Today's news on money supply and bank lending, may have a perverse impact, according to dealers, with bad figures supporting the market, because in the short term sterling should hold firm, if hopes of lower interest rates are dashed.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements				Puts-settlements			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls					Puts				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements				Puts-settlements			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

[illegible]	[illegible]	[illegible]	[illegible]

MONEY RATES

NEW YORK (Lunchtime)		Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]

April 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

April 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Firmer tone

THERE WAS a slightly firmer tone to interest rates on the London money market, as the pound held steady against the dollar, and again failed to break through the DM3.15 level.

Three-month interbank rose to 8⅛-8 p.c. from 8-7⅞ p.c., after being as low as 7⅜-7⅜ p.c. in early trading on Tuesday.

The Bank of England did nothing to encourage hopes of lower UK bank base rates in the near future. The market was again provided with long, and therefore unattractive bill repurchase agreements.

UK clearing bank base lending rate 8 per cent from April 11

Dealers will watch closely today's announcement on UK money supply and bank lending in March. The slightly disappointing PSBR figure, published yesterday, had no impact.

The Bank of England initially forecast a money market shortage of £1,450m, but revised this to £1,550m at noon, and to £1,500m in the afternoon. Total assistance of £1,488m was provided.

In an early round of help of authorities bought £191m bills, including £86m bank bills outright, in band 2 at 7⅞ p.c. Another £105m bills were purchased for resale to the market, in equal amounts on May 11,12 and 13, at a rate of 7⅜ p.c.

Further help of £590m was provided before lunch. The authorities bought £80m bills outright, by way of £40m bank bills in band 1 at 7⅞ p.c., and £40m bank bills in band 2 at 7⅞ p.c. Another £510m bills were purchased, for resale to the market, on the same terms as earlier in the day.

In the afternoon the Bank of England gave assistance of £422m, buying £347m bills outright, through £207m bank bills in band 1 at 7⅞ p.c., and £140m bank bills in band 2 at 7⅞ p.c. A further £75m bills were purchased, for resale to the market, on the same terms as in the morning.

The authorities then rounded off the day's help with late assistance of £285m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £757m, with Exchequer transactions absorbing £450m, a rise in the note circulation £85m, and bank balances below target £135m.

In Frankfurt call money rose to 3.25 p.c., in line with the level at which the Bundesbank provided funds through this week's 35-day securities repurchase agreement tender. On Tuesday call money was 3.20 p.c.

Company Notices

NOTICE OF RATE OF INTEREST
CREDIT FONCIER DE FRANCE
USD 75,000,000.00
GUARANTEED FLOATING RATE NOTES DUE 1988

In accordance with the provision of the interest determination agency agreement between Credit Foncier de France and National Bank of Abu Dhabi, Paris branch, dated as of 18th September 1981, notice is hereby given that the rate of interest has been fixed at 7.4375 per cent per annum, and that the coupon amount payable on 18.10.1988 against coupon No 14 will be USD 189.04 and such amount has been computed on the actual number of days elapsed (183) divided by 360.

By: National Bank of Abu Dhabi
Paris Branch
Reference Agent

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$460	52	8	72	22	-	-	$ 457.70
GOLD C	$480	6	2.50	53	12	7	21.50	$ 457.70
GOLD C	$500	30	0.60	55	6.50	184	14	$ 457.70
GOLD P	$440	-	-	40	7	-	-	$ 457.70
		May 88		Jan. 88		Jul. 88		
EOE Index C	Fl. 195	90	14	-	-	-	-	Fl. 210.49
EOE Index C	Fl. 200	82	11	10	13.50	-	-	Fl. 210.49
EOE Index C	Fl. 205	38	8.20	2	10.50	-	-	Fl. 210.49
EOE Index C	Fl. 210	185	5.40	2	0.50 A	-	-	Fl. 210.49
EOE Index C	Fl. 215	49	3.60	110	6	-	-	Fl. 210.49
EOE Index C	Fl. 220	46	2.30	5	4	-	-	Fl. 210.49
EOE Index P	Fl. 190	52	2.50	17	4.30	-	-	Fl. 210.49
EOE Index P	Fl. 195	56	3.20	356	5.50	-	-	Fl. 210.49
EOE Index P	Fl. 200	105	4.70	560	8	9	9.50	Fl. 210.49
EOE Index P	Fl. 205	150	6.50	48	9.70	4	11.50	Fl. 210.49
EOE Index P	Fl. 210	109	10	412	12	13	15 A	Fl. 210.49
EOE Index P	Fl. 215	31	13	-	-	-	-	Fl. 210.49
EOE Index P	Fl. 220	5	16	25	19.50	-	-	Fl. 210.49
S/Fl C	Fl. 185	1	2.70	81	2.90	-	-	Fl. 186.45
S/Fl C	Fl. 190	14	0.80	23	1.20	20	1.60	Fl. 186.45
S/Fl P	Fl. 190	500	4.60	-	-	-	-	Fl. 186.45
S/Fl P	Fl. 200	-	-	180	15.30	-	-	Fl. 186.45
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl. 40	526	1.40	168	2.10 B	230	2.70 B	Fl. 40.10
ABN P	Fl. 90	136	2.40	9	3.70 A	-	-	Fl. 40.10
AEGON C	Fl. 80	64	1.90	4	3	-	-	Fl. 74.80
AEGON P	Fl. 75	166	4.50	-	-	-	-	Fl. 74.80
AHOLD C	Fl. 70	88	5	-	-	-	-	Fl. 71.50
AKZO C	Fl. 120	292	1.90	402	4.60	2	6.70	Fl. 108.30
AKZO P	Fl. 100	255	4.70	3	6.60	-	-	Fl. 108.30
AMEV C	Fl. 60	172	1	5	1.70	6	2.30 B	Fl. 49.80
AMEV P	Fl. 50	99	4	46	5.50	-	-	Fl. 49.80
AMRO C	Fl. 70	327	1.80 A	33	2.70	-	-	Fl. 69.30
AMRO P	Fl. 70	73	5	10	6.50	-	-	Fl. 69.30
BUHRMANN-T C	Fl. 45	74	2.70 A	56	3.90	-	-	Fl. 45.40
BUHRMANN-T P	Fl. 45	43	3.20	10	4.50	-	-	Fl. 45.40
ELSEVIER C	Fl. 50	105	2.60	52	4.20	50	6.50	Fl. 51.50
ELSEVIER P	Fl. 55	87	5.80	-	-	-	-	Fl. 51.50
GIST-BROC C	Fl. 35	266	2.30	79	3.60	-	-	Fl. 34.60
GIST-BRDC P	Fl. 35	85	3.40	35	4.50	-	-	Fl. 34.60
HEINEKEN C	Fl. 130	206	5	-	-	1	10.50	Fl. 128.50
HOOGOVENS C	Fl. 40	351	3	222	4	49	5	Fl. 39.10
HOOGOVENS P	Fl. 35	226	1.90	-	-	-	-	Fl. 39.10
KLM C	Fl. 35	306	2.60	311	3.10	-	-	Fl. 35.10
KLM P	Fl. 35	35	2.20	355	3.80	4	4.50	Fl. 35.10
KNP C	Fl. 136.40	33	3.30 B	2	5.80	-	-	Fl. 127.10
KNP P	Fl. 127.30	36	5.30	-	-	-	-	Fl. 127.10
KNP C	Fl. 130	124	6.20	10	9.40	-	-	Fl. 127.10
KNP P	Fl. 120	2	2.10	23	4 B	10	5.50	Fl. 127.10
NEDLLOYD C	Fl. 250	102	19	5	25.50	-	-	Fl. 245.20
NEDLLOYD P	Fl. 200	196	6.20	-	-	-	-	Fl. 245.20
NAT.NED. C	Fl. 60	100	2.30	2	3.20	-	-	Fl. 59.40
NAT.NED P	Fl. 55	164	1.50	-	-	-	-	Fl. 59.40
PHILIPS C	Fl. 30	207	1.10	46	2.10	105	2.90	Fl. 28.40
PHILIPS P	Fl. 30	199	2.60	7	3.30	17	3.80	Fl. 28.40
ROYAL DUTCH C	Fl. 240	488	2.50	208	4.50	5	6.10 B	Fl. 227.10
ROYAL DUTCH P	Fl. 200	4	1.60 B	352	5	-	-	Fl. 227.10
ROBECO P	Fl. 85	24	2	-	-	-	-	Fl. 88.40
UNILEVER C	Fl. 110	437	4.80	24	7.60	2	11.50	Fl. 109.70
UNILEVER P	Fl. 100	65	2.80	233	5.10	-	-	Fl. 109.70

TOTAL VOLUME IN CONTRACTS : 22,354

A=Ask B=Bid C=Call P=Put

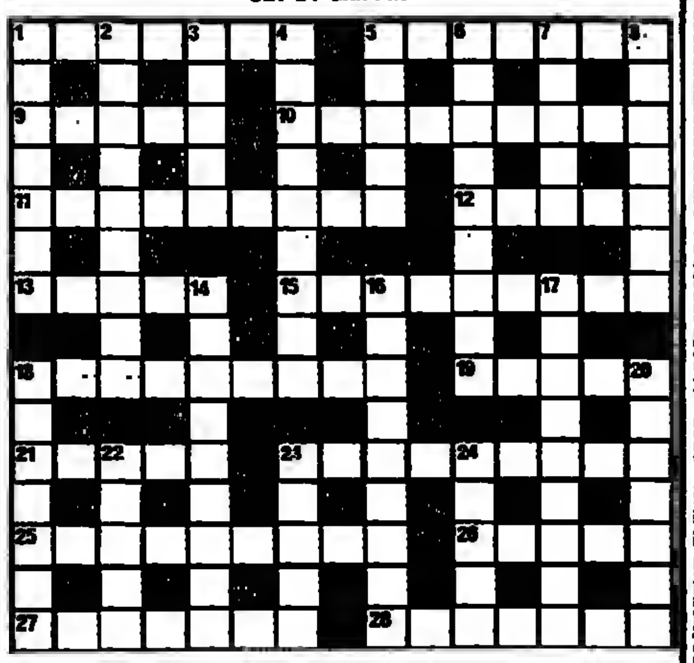
BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat. Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Int(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8	Provincial Bank PLC	9½
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8½	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec.	8	Smith & Williams Secs.	8
Bank Leumi (UK)	8	First Nat. Sec. Ltd.	9½	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	9	UDT Mortgage Exp	‡9¾
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit. Bk of Mid East	8	C. Hoare & Co.	8		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8½	Lloyds Bank	8		
CL Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Banking Corp.	8		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,611

SET BY GRIFFIN



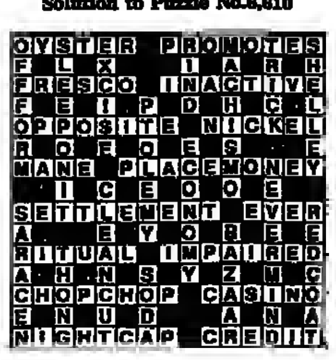
ACROSS

1 Bird nipped right in (7)
5 Terrible secret about piano haunts one (7)
7 Having removed a tar deposit, refuse (5)
10 House surgeons do this work together (9)
11 Borrowing settled by bank cheque (9)
12 Cake with age on to be ordered (5)
13 Returns when doctor wants a dance (5)
15 Cross it in the barrel I designed (9)
18 A corresponding acquaintance (3-6)
19 Whip man in for fraud (5)
21 Top man admitted being shoddy (5)
23 It doesn't make a cycle any cheaper! (9)
25 Breathers people take under water (9)
26 Language student ain't improving! (5)
27 After quarter to ten sat unprotected (7)
28 Wanted to be a schoolmaster indeed! (7)

DOWN

1 Objection to weight – see first page (7)
2 Jazz means trouble for shopkeeper (9)
3 Record carrier found in the vestry (5)
4 Fruit drink of the gods, 75% wine (8)
5 One's turn to order mum into the open (5)
6 Coming from N. Greece, it is vigorous (9)
7 Skill when reversing in coach (5)
8 Leave poor Lawrence on lift (7)
14 Half of the police in Cairo's new citadel (9)
16 Adjusted pipe around deck (9)
17 Be getting free tea cooked by a yeoman (9)
18 Sort of holiday which comes through the post? (7)
20 Having claws only within the limits of Thailand (7)
22 Furnish middlemen with a clever saying (5)
23 If up by the other end is penalised (5)
24 Saying the Spanish admitted climbing here (5)

Solution to Puzzle No.6,610



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth				0345 717373
High Income				
American Income	38.8	41.4	+0.1	6.62
Gilts & Fixed Int	114.2	122.3	-0.3	0.18
High Inc Equity	114.2	121.4	—	4.90
Worldwide Bond	185.6	197.3	+0.3	4.92
Capital Growth				
American Growth	135.8	144.4	+0.4	1.68
Asian Pacific	54.9	60.8	+0.6	1.25
Assets & Earnings	133.4	141.9	+0.1	1.77
Capital Reserve	78.2	78.4	+0.1	3.43
Comdty & Energy	84.5	90.3	-0.2	1.09
European Capital	65.1	69.6	—	1.08
General	161.1	171.3	+0.4	2.63
Japan	93.2	99.4	+0.9	0.00
Mastertrust	67.8	72.5	+0.3	2.42
UK Growth Acc	182.9	194.5	—	1.96
UK Growth Dist	124.4	132.5	—	2.00
US Emerging Cos	38.1	40.7	+0.7	0.00
Income & Growth	243.7	259.2	-0.4	3.67
Ethical Growth	39.6	42.9	+0.1	2.96
Abtrust Management Ltd				
10 Queens Terrace, Aberdeen AB9 1QJ				0224 633070
20 Chiswell St, London EC1Y 4TY				01-374 4801
UK Growth	30.3	32.2	—	3.26
Nth Amer Inc (z)	23.2	24.7	—	4.84
World Gwth	37.9	40.3	—	1.14
Extra Income	37.4	39.8	+0.2	4.91
Formerly Baltic Trust Managers Limited				
American	36.4	38.8	—	2.38
Amer Extra Inc	33.2	35.4	—	6.84
Australian	18.5	19.7	+0.4	1.78
European	39.9	42.0	-0.2	—
Gilt & Fixed Int	23.8	25.4	+0.1	9.40
Global Income	33.1	35.3	—	3.49
High Income	52.0	56.2	+0.2	5.43
Income Growth	63.5	67.6	+0.5	4.43
International	80.7	85.9	-0.1	0.61
Japan & General	160.9	170.7	+1.9	0.01
Special Situations	61.5	65.5	+0.3	1.33
Formerly Atlanta Unit Trust Managers Ltd				
Japan Far East	70.9	75.3	+0.1	1.38
International	70.9	75.3	+0.7	2.03
Do Accum	92.6	98.4	+0.9	2.03
High Income	56.7	60.2	+0.5	5.49
Fund Inc Tst	99.7	105.9	+0.7	2.42
Do Accum	151.0	160.4	+1.0	2.42
UK Growth	20.0	22.1	+0.2	4.40
Nth American	38.7	41.1	-0.2	1.58
Swiss Balanced	38.4	40.8	+0.1	3.80

	Bid	Offer
CCL Unit Trusts Limited		
74, Shepherds Bush Green, Ldn, W12 8SD		
UK General Tst	44.7	47.8
Global Tst	36.5	39.0
Recovery Tst	47.9	50.9
CIBC Unit Trust Managers plc		
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL		
Growth Fd	98.4	103.8
CS Fund Managers Limited		
125 High Holborn, London WC1V 6PY		
CS America	43.6	46.4
CS International	44.2	47.0
CS Japan	109.6	116.6
CS Portfolio Inv	58.1	61.8
Canada Life Unit Trust Mngrs. Ltd		
2-6 High St, Potters Bar, Herts		
Can Gen Dist	123.2	129.7
Do Gen Accum	200.4	210.9
Do Income Dist	86.7	92.2
Do Inc Accum	192.6	202.7
Gilt & Fxd Int	38.8	40.9
Cannon Fund Managers Ltd		
1 Olympic Way, Wembley, HA9 0NB		
01-902 8876		
Growth	32.2	34.3
Income	41.5	44.1
Far East	27.2	29.0
North American	25.2	26.8
Global	42.4	45.1
European	36.8	39.2
Japan	85.8	91.3
Intl Currency Bd	43.3	46.1
James Capel Unit Trust Mngt. Ltd		
P.O. Box 552, 77 London Wall, London		
01-588 0998		
Capital	385.6	409.4
European Sp Sits	47.1	50.2
Far East Sp Sits	46.7	49.8
Gold & General	47.5	50.6
Income	336.9	358.4
Intl Spec Sits	45.2	48.2
Nth American	214.8	229.3
Capital House Unit Trust Mngrs		
Capital House, Festival Square, Edinburgh		
031-228 4477 Dealing 0800		
European Gwth (z)	18.2	19.3
Income & Gwth	17.9	19.0
Intnl Gwth (z)	18.8	19.9
Japan Gwth (z)	21.8	23.1
Nth Amer Gwth (z)	19.9	20.6
UK Growth Tst	18.8	19.9
Cent. Bd. of Fin. of Church of England		
2 Fore Street, London EC2Y 5AQ		
Inc Fund Mar 31		432.90
Fxd Int Sec Mar 31		147.60
Deposit Mar 31		100.00

FT UNIT TRUST INFORMATION SERVICE

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intl Income	135.8	136.7xd	-1.4	3.25
Intl Accum	197.6	209.7xd	-2.5	3.25
UK General Acc	38.1	40.6	+0.2	3.36
UK General Inc	36.7	39.1	+0.2	3.36
American	26.3	28.0	-0.3	2.23
European	34.8	37.1	-0.1	1.26
Japan	39.7	42.6	+0.6	0.03
Technology	34.5	36.8xd	+0.2	2.29
Performance Trusts				
Far East Perf	18.8	20.0	-	2.00
High Int Perf Inc	24.2	25.8	+0.1	5.36
High Inc Perf Acc	24.7	26.3	+0.1	5.36
W'wide Tect Perf	27.9	29.6xd	+0.1	2.72

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	209.7	224.3	+1.0	2.74
Columbus (US)	123.5	132.1	-0.1	1.51
Marco Polo (Pac)	212.7	232.9	-1.2	0.22
Da Vinci (Eur)	219.4	234.7		1.03
Drake (Wrld)	52.1	55.8	+0.1	2.20

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	203.6	216.7	+0.5	2.64
UK Smllr Cos Equity	208.4	221.8	+0.5	2.02
UK Spec Sits	61.7	65.7	+0.2	2.85
Income Plus	52.6	56.3	-	5.10
European	139.0	149.2	-0.5	1.18
Far Eastern	52.7	56.1	-0.5	1.98
Japanese †	56.4	60.0	+0.4	-
North American	106.9	113.8	-0.4	1.54
Intl Growth	107.1	114.0	-	0.82
Worldwide Venture	52.8	56.2	-	3.14

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-558 2341/273

Equity Growth Acc	17.48	18.92	+0.01	3.13
Equity Growth Inc	17.31	18.74	+0.02	3.13
Intl Growth Acc	16.92	18.11	-0.01	1.72
Intl Growth Inc	16.83	18.01	-0.04	1.72
Global Income Acc	18.71	20.05	-0.07	5.45
Global Income Inc	18.71	20.03	-0.07	5.45
Market Leaders Acc	16.41	17.36	+0.06	3.25
Market Leaders Inc	16.18	17.32	+0.05	3.25

Scottish Unit Managers
[illegible]

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth	58.9	62.7	+0.1	1.72
Technical Analysis	50.2	53.5	+0.1	3.39

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 4064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap	178.9	189.7	-	3.51
Friars Hse Inc	150.2	160.2	-	3.41

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	160.4	179.2xd	+0.8	4.73

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Charifund	[illegible]	200.5xd	-	1.36
(Accum Units)	192.7	205.0	-	1.36
Far East & Gen	[illegible]	39.1	+0.3	-
(Accum Units)	[illegible]	39.1	+0.1	-
Master Portfolio	64.274	67.923xd	+0.188	3.02
(Accum Units)	68.388	72.342	+0.275	3.02
American & Gen	53.0	56.4xd	-0.3	1.90
(Accum Units)	54.5	58.0	-0.2	1.90
Growth	214.0	227.7	+0.8	2.47
(Accum Units)	322.8	343.4	+1.2	2.47
High Yield	269.7	286.0	+0.8	4.40
(Accum Units)	289.2	307.7	+0.9	4.40
Special Sits	52.7	56.1	+0.5	2.25
(Accum Units)	54.4	57.9	+0.2	2.25
Trustee	156.0	166.0xd	+0.3	4.14
(Accum Units)	254.7	271.0	+0.6	4.14
European Inc	35.9	38.2	-0.2	0.78
(Accum Units)	36.1	38.4	-0.2	0.78

Wardley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA 01-374 0061

American	48.8	52.1	-0.4	1.6
Intl Growth	64.4	68.6	+0.3	0.4
Income	111.7	119.5xd	-	5.5
Japan Growth	185.2	193.8	+3.0	0.1
Pacific Perf	114.1	120.9	+0.3	0.4
Small Co's	139.2	148.8	+0.8	1.6
Technology	31.6	34.0xd	-0.1	0.1
Australia	47.7	51.1	-0.4	2.3
UK Trust	159.4	168.6	+0.3	2.7
European Growth	40.5	42.8	-0.2	0.1
Hong Kong	25.2	26.7xd	-0.1	1.3

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INSURANCES

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Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	378.4	398.5		—
Eb'r Ph. Eq.	330.4	351.4	-11.1	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	165.7	174.4	+0.5	—
International Acc.	123.8	130.3	+0.1	—
Property Acc.	127.8	134.5	—	—
Fixed Interest Acc.	157.7	166.0	-0.3	—
Money Acc.	138.4	145.6	—	—
Bldg. Soc. Link Acc.	135.4	142.5	—	—
Special Mngd. Acc.	146.8	154.5	+0.2	—
Phoenix/Framlington				
Intnl. Growth Acc.	85.5	90.0	+0.3	—
Amer. & Gen. Acc.	78.5	82.6	+0.5	—
Capital Tst. Acc.	166.5	175.2	—	—
Japan & Gen Acc.	180.3	189.7	-1.1	—
American Turn. Acc.	81.8	86.1	+0.7	—
Recovery Tst. Acc.	166.1	174.8	+0.8	—
Special Mngd Acc.	139.9	147.2	+0.1	—
Phoenix/NFT				
International Acc.	119.5	125.7	+0.2	—
US & General Acc.	85.0	89.4	-0.2	—
Amer Spec Sits Acc.	63.6	66.9	+0.3	—
Japan & General Acc.	179.6	189.0	+0.8	—
Far East & Gen. Acc.	139.2	146.5	-0.1	—
UK Capital Acc.	169.2	178.1	—	—
European Acc.	131.0	137.8	+0.6	—
Special Mngd. Acc.	123.4	129.8	+0.1	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.3	276.2	-1.5	—
Man Pens Inc & Cap Fd.	334.0	351.6	-2.6	—
Money Fund	112.1	118.0	+0.1	—
Pens Mngd Fd (Init)	81.5	85.8	-1.7	—
Pens Mngd Fd (Acc)	92.3	97.2	-1.8	—
Pens FT30 Fd (Init)	126.2	132.9	-0.5	—
Pens FT30 Fd (Acc)	143.0	150.6	-0.4	—
Pens O'seas MgFd(Init)	57.4	60.5	+0.8	—
Pens O'seas MgFd(Acc)	65.0	68.5	+1.0	—
Pens Fxd Inc Fd (Init)	107.4	113.1	+0.8	—
Pens Fxd Inc Fd (Acc)	121.7	128.2	+1.1	—
Pens Deposit Fd (Init)	101.2	106.6	+0.1	—
Pens Deposit Fd (Acc)	114.6	120.7	+0.2	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	82	Treas. 7¾pc 2012-15‡‡	88	–⅛	8.74	8.86
130	121	Exch. 12pc '13-'17	129	–½	9.25	9.00

Undated

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44	41	Consols 4pc	44	–⅛	9.01	–
39	37	War Loan 3½pc‡‡	39	–⅛	8.82	–
52¼	48	Conv. 3½pc '61 Aft	51	–⅛	6.74	–
33	30	Treas. 3pc '66 Aft	33	–⅛	9.07	–
29	26	Consols 2½pc	28	–⅛	8.93	–
28	26½	Treas. 2½pc	28	–⅛	8.93	–

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1987:101.8 and for February 1988: 103.7 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	45	......	3.50	†7.78
45	33	Do. 6pc 28 Stb. Ass	45	......	3	†6.67
45	33	Do 4pc Mixed Ass	45	......	2	†4.44
75	63	Hung. '24 Ass	65	......	2.75	†4.37
140	128	Hydro Quebec 15pc 2011	140	–½	15.00	10.39
128¼	118	Iceland 14½pc Ln 2016	127½	–½	14.50	11.28
101½	96½	Ireland 9¾pc '91-96	100¾	–½	9.75	9.60

AMERICANS

Continued on next page

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndn Money Mngmt Co Ltd Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	7.38	5.64	7.72	3-mth
CAFCASH 7-day Fund	7.38	5.46	7.71	3-mth
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	8.20	–	8.46	–
Gartmore Money Management Ltd 61 Queen St, London, EC4R 1PL 01-236 1425				
Call Fnd	7.96	6.11	8.27	6-Mth
7-day Fund	7.58	5.82	7.87	6-Mth
Dollar	5.87	4.48	6.00	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
AAB—Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-629 6802				
HICA, HICMA	8.625	6.62	9.10	Mth
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc	7.00	5.36	7.28	Qtr
Afficen Home 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	7.25	5.56	7.50	Qtr
Mth Int Chq £1000-£5000	7.00	5.37	7.34	Mth
Mth Int Chq £5,000+	7.25	5.56	7.62	Mth
Bank of Ireland 36 Queen St, EC4R 1BN 01-329 4500				
High Int Chq Acc	7.492	5.750	7.67	Qtr
£10,000+	7.818	6.000	8.00	Qtr
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	7.75	5.95	8.11	Qtr
Provincial Bank PLC 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. £1,000+	8.25	6.33	8.68	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE 031-557 0201				
Premium Account	7.25	5.56	7.58	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB 0708 766966				
H.I.B.A.	7.17	5.50	7.34	Daily
Tyndall & Co Ltd 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	7.49	5.74	7.83	Qtr
Money Acc	7.49	5.75	7.83	Qtr
Client Plus Acc	7.37	5.66	7.70	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	7.5	5.76	7.88	Mthly
£10,000 and above	7.75	5.95	8.15	Mthly
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 224141				
High Int Chq Acc	8.00	6.14	8.60	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1 7AE 01-606 9485				
High Int Cheque Acc	8.90	6.83	9.34	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr frequency interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's opening price. c Yield based on offer price. d Estimated. e Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. (partly illegible)

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19¾	11	♦Staley Continental‖	19		[illegible]	–	2.3
33½	27⅞	Sun Co. Inc. $1	31½	–⅛	[illegible]	–	5.3
28⅝	23⅛	TRW Inc. 62½c	23¾	–⅛	[illegible]	–	3.7
25⅛	21¼	Tenneco $5	23½	+½	[illegible]	–	7.2
26⅞	19⅞	Texaco $6.25	24⅞	–⅛	[illegible]	–	6.6
52⅞	43⅛	Time Inc. $1	45⅞	–⅛	[illegible]	–	1.2
20⅝	15⅞	Transamerica $1	16⅛	+⅛	[illegible]	–	6.0
10⅝	754p	Transworld Corp $5	930p		[illegible]	–	1.2
20⅛	15	TRINOVA Corp.	16½	–⅛	[illegible]	–	1.9
19	15⅛	♦USX $1	16⅝	–⅛	[illegible]	–	5.9
23	17⅝	Utd. Technologies	20⅞	–⅛	[illegible]	–	3.8
31⅜	26⅛	US West‖	27	–⅛	[illegible]	–	7.1
21⅛	16⅞	Waste Management $1	17	+⅛	[illegible]	–	1.2
16⅞	12⅞	Whirlpool $1	12⅞	–⅛	[illegible]	–	–
30⅛	18⅛	♦Woolworth $3½	29	+⅛	[illegible]	–	2.5

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

[illegible]

LONDON STOCK EXCHANGE

Account Dealing Dates			
Option			
*First Dealings	Declarations	Last Dealings	Account Day
Apr 25	Mar 5	Mar 6	Mar 16
Mar 21	Apr 7	Apr 8	Apr 18
Apr 11	Apr 21	Apr 22	May 3

*New time dealings may take place from 9.00 am two business days earlier.

Equities fail to hold above FT-SE 1800 while Gilts ease ahead of bank lending data

THE UK stock market failed once again to hold above the psychologically significant *FT-SE 1800* mark in early trading yesterday, and slid steadily lower in thin business as the session progressed. The Bank of England, in its money market operations, continued to discourage base rate speculation, and Gilts gave ground as the City awaited publication today of the UK money supply and bank lending figures for last month.

With the exception of the life assurance sector, which was enlivened by rumours of impending developments at Sun Life, equities had an unimpressive session. With currency markets and speculative issues less active, investors turned their attention to the batch of economic data due on both sides of the Atlantic.

The £3.6bn surplus for the year on UK Public Sector Borrowing Requirement was no surprise, but London turned increasingly nervous ahead of the announcement, at 1.30pm UK time, of the latest US Consumer Price Index. However, the rise of 0.5 per cent in March was well below the worst estimates.

As Wall Street slipped lower in early deals, UK equities drifted towards the close in listless trading. Oil stocks sagged as crude prices eased and, except for British Telecom, which attracted Japanese buying, the blue chip stocks lacked support.

At the close, the FT-SE 100 Index, which touched 1800.1 for a few seconds just before 10.00am, was a net 12.1 points down at 1786.8. Seaq volume was on the low side, with 451.4m shares traded.

The recent burst of takeover speculation in the food manufacturing sector slackened as Jacobs Suchard, officially allowed to recommence purchases of Rowntree stock yesterday, made no move to do so.

The Gilt-edged sector took the view that prospects for a cut in base rates this week have receded as the authorities have signalled their views with money market repos. Bonds were steady until shortly before the close when the long end dipped by ¼ of a point in response to an easier trend in New York bonds. However, losses were cut to ⅛ as the market rallied in late deals.

Traders said the sector was nervous as it awaited today's disclosure of the UK bank lending figures for March. Market estimates are for a further rise of £3bn to £3.5bn. "Not that we would be happy with such a figure, just resigned to it", commented one trader.

Also unsettling some traders is the new stress by the authorities on the M4 statistics in today's money supply figures. *M4* includes building society loan statistics, and thus implies a larger number for the market to face.

Storehouse, the stores group encompassing BHS, Mothercare and Habitat, surged ahead late in the session to close a net 20 higher at 295p on turnover of 3.5m; dealers have reported abnormally high turnovers in Storehouse for over two weeks.

Among stories doing the rounds yesterday: an imminent 400p a share bid from Lonrho was mooted, while other sources spoke of a consortium-led market raid at the same price. Substantial shareholdings in Storehouse are held by Mountleigh, the property group, and by Robert Maxwell.

Allied-Lyons, the UK brewing major, encountered another burst of speculative interest in the shares after a television programme had inferred that Mr. Alan Bond was organising finance on a large scale in Australia and could be either contemplating increasing his stake of 7 per cent or even launching a full bid.

Considering the general apathy of trade, business was good with volume amounting to 3.6m shares. Marketmakers still tended to dismiss the current surfeit of rumours connected with Bond Corporation but the shares rose to 411p before closing 4 higher on the day at 409p.

Racal's turnover figure was much reduced at 3.9m, compared with Tuesday's 12m level, and the shares slipped a couple of pence to 233p, despite further strong buying from one source thought to have represented US interests. Much of the buying was carried out *via* the inter-broker dealing screens.

Analysts said the US support reflected increasing American interest in cellular telephones and a forthcoming stock market launch of a US cellular telephone manufacturer, Cellular Communications Inc.

Inchcape, the international services and marketing group, maintained a strong profile awaiting today's annual results. The shares traded briskly, although business was more two-way than on the two previous days which saw a fairly sharp rise in the price.

A glossy 16-page circular on the group from Kleinwort Grieveson promoted buying interest following reseacher Richard Allan's conclusion that "except on the most bearish of economic scenarios, the shares look attractive". Mr. Allan expects profits of £112m compared with £86.1m last year. The estimate falls within the market range with the exception of one optimistic prediction of £120m.

Sun Life, the life assurance group where the South African-backed TransAtlantic group has a 25.7 per cent stake and Sun Alliance, the UK composite insurer a 5.2 per cent stake, raced up to £11¼ bid first thing on stories that the former was on the verge of launching a market raid prior to gaining overall control of the company.

Dealers in Sun Life were on the alert at the outset and looking for a market raid price of around £12¼. It failed to materialise, however, and Sun Life shares dipped back to close a net 45 higher at 1125p.

An easier trend in crude oil prices – a direct result of lessening tension in the Gulf – led to widespread profit-taking in the oils. BP oil lost 5 to 274p on turnover of 3.2m and the new 2½ to 77p on turnover of 2.9m.

Clyde Petroleum, widely tipped as the next takeover candidate in oils, ran back 7 to 138p. Concorde, suspended at 64p, were re-quoted at 77p and closed at 73p after the reverse takeover of the Kelt Group.

The clearing banks were mostly easier and dealers forecast a quiet period in the stocks until Barclays goes "ex" the rights issue on April 29 – on Friday week. TSB attracted a turnover of 5.7m with the shares finally 1⅛ lower at 100½p.

Bank of Scotland managed a 3 gain at 513p after unveiling "well received" pre-tax profits up 10.8 per cent at £131.3m.

Life assurances were given a major boost by the Sun Life bid rumours. Analysts in the life sector were keenest on London and Manchester, up 9 at 273p, after 282p, and Pearl, 16 higher at 456p; the latter were well supported by income funds ahead of going "ex – dividend" on Monday. Abbey rose 6 to 276p, and were also bought for the dividend.

Sun Alliance rose 5 to 948p reflecting the 5.2 per cent stake in Sun Life and also the recent buy recommendations from a number of broking firms. CE Heath advanced 13 to 385p.

The Building sector was enlivened by the annual results from construction group Costain. Profits figures matched marketestimates and the company also announced a relatively small share placing to finance the acquisition of a minority stake in Costain Australia. The Costain share price eased initially but picked up following a positive analysts' meeting to close 6 higher at 322p. George Wimpey put on 5 to 248p as vague takeover rumours revived, but Taylor Woodrow slipped 11 to 434p reflecting profit-taking in the wake of the annual results. Fairbriar featured second-line issues, rising 17 to 385p in a restricted market.

ICI traded quietly and closed 5 cheaper at 978p, after 974p. Laporte Industrial revealed annual profits much in line with estimates and the shares settled 9 cheaper at 383p.

Apart from Storehouse the stores sector was rife with rumours. Ward White added 4 at 319p, after 320p amid whispers of a possible bid while Sears were mentioned as being the next possible break-up candidate after Storehouse and jumped 3 to 134p on turnover of 3.6m.

Dixons eased a few pence to 182p, after 180p, following a presentation by Daiwa, the Japanese securities house ahead of the proposed Tokyo listing.

All the leading electronics issues turned easier on a mixture of lack of interest or profit-taking. There were above average turnovers in British Telecom – 7m shares changed hands as the stock eased 1⅛ to 247p – and GEC where turnover of 7.2m saw the stock dip 3½ to 151½p. But Plessey retreated 4 to 157p on a much-reduced turnover of 1.2m.

Elsewhere, System Designers, after the acquisition of Scicon, were re-quoted at an initial level of 77p prior to closing at 73½p against a suspension price of 61p; the new nil-paid were 23½p.

Hawker Siddeley's preliminary figures (£163.2m pre-tax compared with £152m) pleased the market and the shares resisted the downward trend, closing 3 to the good at 468p, after touching 470p at one stage. Elsewhere in the Engineers, Matthew Hall encountered profit-taking in the wake of recent bid speculation and reacted to close 3 cheaper at 153p. Thomas Robinson, suggested as a possible counter-bidder for J. Crowther, gave up 10 to 455p.

Ranks Hovis McDougall gained 3 to 337p on hopes that Goodman Fielder of Australia may make a full bid for the group but other Food Manufacturers continued to ease in the absence of any positive bid news in the sector. Last week's star performer Rowntree, in which Jacobs Suchard has increased its holding to just under 15 per cent, lost 11 to 737p on a turnover of 4.7m shares. Suchard has said it will not pay above 630p for any more Rowntree shares. Cadbury Schweppes gave up 3 at 286p and United Biscuits calls relinquished 8 at 268p. Among Retailers, Kwik Save softened 3 to 342p after reporting interim profits very much in line with market estimates.

International stocks took a back seat with quotations mostly drifting lower in the absence of support. Interest quickly faded in Reckitt and Colman after the previous day's flurry with the shares easing back to close 16 cheaper at 838p.

Reuters were inclined easier at 503p, down 4, after Tuesday's presentation to the Society of Investment Analysts. DBS Phillips and Drew are taking a slightly cautious view on the group's prospects for the current year and have reduced their pre-tax profits forecast by £3m to £210m. They believe, however, that the long term outlook still looks good and rate the shares a hold.

BAA were one of the more actively traded stocks (some 5.5m shares changed hands) following the 16 per cent increase in the March traffic figures but closed only a shade firmer on the day at 113p.

Christies moved up 17 to 562p following suggestions that the group deserves a premium rating over Sothebys following the latter's listing details. Shiloh advanced 13 to 276p ahead of next Wednesday's dividend announcement, while Hestair, scheduled to reveal preliminary results today, firmed a few pence to 288p. Speculative activity left Scapa Group 16 to the good at 244p. Tomkins drifted lower to close 10 down at 239p awaiting news of a two-day visit by London analysts to the group's Smith and Wesson handgun plant in the US. AAH held steady at 278p following the announcement of the acquisition of W. Jamieson (Chemists) which operates 29 retail pharmacies in South Yorkshire and Derbyshire.

The latest Continental expansion by Kwik-Fit, one of Europe's largest specialist retailer of car parts, pushed the shares 5 higher to 200p. Kwik-Fit is to acquire 80 per cent of Tours Pneus, a privately-owned tyre retailer and distributor based in Western France, for £5.8m cash and has a right to buy the remainder for around £1.4m. Lucas Industries slipped with other first-line equities to end 8 down at 527p while USM-quoted Spice, still undermined by Tuesday's warning of sharply lower interim profits, shed 3 more to 123p. Against the trend, car distributor Appleyard gained 7 to 401p.

Bumper profits made little impact on either International Business Communications, 122p, or St. Ives, 195p, both of which closed unchanged. DRG slipped back 7 to 870p but Yellowhammer were a feature among Agencies, rising 11 to a 1988 high point of 164p.

The Property leaders traded firmly on lingering hopes of another cut in base rates. Prices came away from the day's highs at the close following Wall Street's early fall, but Land Securities still finished 2 dearer at 565p, while MEPC improved 5 to 532p. Elsewhere, Chesterfield rose 15 to 650p on asset value considerations, and Priest Marians revived with a gain of 8 at 300p. Kentish Properties rose to 135p in reply to the excellent annual results before closing 3 dearer on balance at 128p, but Southend Property eased 3 to 131p, the interim statement discounted.

Continuing speculation of a counter to the agreed share exchange offer from Colorall gave fresh impetus to John Crowther and the shares improved 3 to 189p. The name of Thos Robinson was added to list of possible suitors but Coats Viyella remained the popular choice.

Traded Option business was concentrated on British Gas, the contract registering 11,170 calls and 3,419 puts. There were several rolling of positions from April to July. Rolls-Royce were also active due to the expiry of the series and recorded 14,563 calls and 1,539 puts. The FTSE contract attracted 1,078 calls and 2,218 puts. Total contracts came out at 45,902 made up of 31,427 calls and 14,475 puts.

Traditional Options

- First dealings Apr 18
- Last dealings Apr 29
- Last declarations July 14
- For Settlement July 25

For rate indications see end of London Share Service

Quieter conditions prevailed in the Traditional option market yesterday. Stocks to attract money for the call included Wheway, Owners Abroad, Delta Group, Suter, Singer and Friedlander, Control Securities, Norfolk Capital, Underwoods, Blacks Leisure, Clyde Petroleum, Dares Estates, Eurotunnel, BOMS and Stormgard. No puts were reported but double options were arranged in Aurora, Western Motor and Suter.

FINANCIAL TIMES STOCK INDICES

	Apr. 20	Apr. 19	Apr. 18	Apr. 15	Apr. 14	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	91.09	91.31	91.43	91.26	91.09	90.63	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.90	98.31	97.75	97.92	97.99	96.79	98.31 (19/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1419.4	1429.7	1419.6	1415.7	1416.2	1546.8	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	216.4	218.1	221.4	217.5	216.6	438.3	312.5 (7/1)	216.4 (20/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.59	4.53	4.57	4.57	4.55	3.75				
Earnings Yld. % (full)	11.91	11.80	11.89	11.91	11.85	8.57				
P/E Ratio (net)(*)	10.27	10.40	10.33	10.31	10.38	14.46				
SEAQ Bargains (5pm)	22,769	23,165	26,075	26,144	26,723	33,090				
Equity Turnover (£m)	-	976.14	972.90	1746.77	1561.94	1381.88				
Equity Bargains	-	24,320	26,257	27,117	28,217	40,971				
Shares Traded (ml)	-	396.0	389.4	454.3	544.0	276.7				

S.E ACTIVITY

Indices	Apr. 19	Apr. 18
Gilt Edged Bargains	142.2	152.7
Equity Bargains	157.6	170.1
Equity Value	1973.0	1966.5
5-Day average		
Gilt Edged Bargains	141.0	142.4
Equity Bargains	169.5	172.1
Equity Value	2608.8	2841.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1428.4	1429.9	1429.6	1425.5	1424.1	1422.6	1422.5	1419.5

Day's High 1430.8 Day's low 1417.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.16.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	1,700	General Accident	79	Prudential	618
Allied-Lyons	3,600	General Elect.	7,100	Racal	3,900
Amstrad	1,200	Glaxo	1,100	Rank Org.	462
Argyll Group	581	Globe Investment	73	RMC	604
Assoc. Brit. Foods	301	Granada	575	RHM	1,500
BAA	5,500	Grand Met.	555	Reckitt & Colman	218
BAT	1,000	GUS "A"	72	Redland	19
BET	1,800	Guardian R.E.	446	Reed Intl.	673
BICC	219	GKN	917	Reuters "B"	954
BOC	1,100	Guinness	794	RTZ	1,800
BPB Inds	966	Hammerson	326	Rolls-Royce	4,100
BTR	676	Hanson	4,600	Rothmans "B"	1,600
Barclays	3,900	Hawker Siddeley	2,300	Rowntree	4,800
Bass	395	Hillsdown Holdings	632	Ryl Bank Scotland	562
Beecham	1,900	IMI	711	Royal Insurance	380
Blue Arrow	1,300	ICI	611	STC	686
Blue Circle	430	Jaguar	262	Saatchi & Saatchi	749
Boots	399	Ladbroke	805	Sainsbury	694
Brit. Airways	1,800	Land Securities	2,100	Scott & Newcastle	423
Brit. Aerospace	312	Laporte	816	Sears	3,600
Brit. & Comm.	699	Legal & General	838	Shell Transport	777
British Gas	10,000	Lloyds Bank	1,900	Smith & Nephew	2,300
BP	3,300	LASMO	1,000	Storehouse	6,400
Brit. Telecom	7,000	Lonrho	807	Sun Alliance	587
Burmah Oil	2,700	Lucas	292	T & N	339
Burton	706	MEPC	1,400	TSB	5,700
Cable & Wireless	1,300	Marks & Spencer	773	Tarmac	2,300
Cadbury Schweppes	1,500	Maxwell Comm.	992	Tesco	1,100
Coats Viyella	907	Metal Box	307	THORN EMI	234
Commercial Union	1,900	Midland Bank	2,800	Trafalgar House	630
Cons. Gold	247	NatWest Bank	838	Trusthouse Forte	3,000
Cookson	123	Next	2,700	Ultramar	1,200
Courtaulds	1,600	Northern Foods	121	Unilever	2,100
Dalgety	531	Pearson	160	United Biscuits	2,700
Dee Corporation	3,300	Pearl Group	1,300	Wellcome	905
Dixons	1,000	P & O	786	Whitbread "A"	268
English China Clays	19	Pilkington	4,400	Williams Holdings	418
Enterprise Oil	408	Plessey	1,200	Woolworth	2,800
Fisons	2,300				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	101	10
Corporations, Dominion and Foreign Bonds	0	18	34
Industrials	309	433	803
Financial and Properties	118	157	362
Oils	17	38	53
Plantations	2	1	10
Mines	27	63	105
Others	53	86	102
Totals	528	897	1,479

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Apr 20 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Apr 19 Index No.	Mon Apr 18 Index No.	Fri Apr 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	755.80	-0.8	10.06	3.97	12.44	6.84	761.95	753.37	749.94	829.51
2	Building Materials (29)	1019.36	-0.8	10.25	3.76	12.17	3.60	1027.80	1019.43	1012.56	1016.81
3	Contracting, Construction (34)	1591.06	—	9.26	3.32	14.30	11.47	1590.15	1582.07	1576.21	1368.20
4	Electricals (12)	1987.96	+0.1	9.76	5.01	12.74	8.34	1986.00	1966.32	1948.91	2085.38
5	Electronics (32)	1533.85	-1.4	10.76	3.47	12.13	11.94	1555.96	1511.02	1507.39	1867.06
6	Mechanical Engineering (56)	390.67	-0.8	10.06	4.36	12.50	5.07	393.80	390.53	387.88	468.53
8	Metals and Metal Forming (7)	453.33	-0.9	9.46	3.89	12.75	3.09	457.37	456.96	453.94	451.94
9	Motors (13)	272.36	-1.0	11.66	4.50	9.93	4.79	275.03	274.99	273.40	324.42
10	Other Industrial Materials (24)	1239.44	-0.8	9.13	4.44	13.09	16.51	1249.99	1240.78	1239.72	1402.57
21	CONSUMER GROUP (188)	1056.75	-0.4	8.71	3.51	14.64	5.33	1061.07	1055.76	1051.35	1139.43
22	Brewers and Distillers (21)	1069.05	-0.2	10.34	3.56	12.31	7.69	1071.65	1067.10	1063.13	1057.55
25	Food Manufacturing (23)	860.34	-1.1	9.26	3.87	13.86	8.45	869.68	868.53	858.48	872.89
26	Food Retailing (16)	2102.21	-0.4	7.80	3.08	17.16	8.02	2110.27	2096.69	2081.78	2081.74
27	Health and Household (12)	1780.15	-1.0	6.95	2.68	17.10	5.26	1798.13	1769.90	1768.58	2192.36
29	Leisure (30)	1269.79	-0.6	8.00	3.73	16.04	18.89	1277.40	1272.00	1274.79	1236.47
31	Packaging & Paper (17)	484.04	-0.1	9.08	3.95	14.44	3.78	484.39	483.29	480.98	592.18
32	Publishing & Printing (16)	3327.83	-0.6	8.22	4.45	15.16	7.74	3346.38	3351.23	3331.55	3468.71
34	Stores (35)	839.55	+0.6	9.05	3.66	14.82	1.54	834.94	836.45	831.88	959.34
35	Textiles (18)	594.08	—	11.45	4.15	10.03	0.44	594.37	584.23	594.07	672.85
40	OTHER GROUPS (93)	863.55	-0.5	10.96	4.34	11.41	7.66	867.52	861.61	861.87	956.89
41	Agencies (19)	1144.72	-0.6	7.89	2.32	18.18	8.98	1151.29	1136.81	1135.80	1392.48
42	Chemicals (20)	991.73	-0.4	12.08	4.90	10.14	19.27	995.72	988.44	992.78	1198.29
43	Conglomerates (14)	1149.78	-0.3	10.12	4.54	11.54	5.66	1153.43	1143.07	1141.67	1226.06
45	Shipping and Transport (12)	1896.50	-0.2	9.72	4.48	13.62	21.37	1901.02	1899.95	1902.28	1958.94
47	Telephone Networks (2)	947.52	-0.7	11.36	4.35	11.72	0.00	953.83	946.45	944.91	984.54
48	Miscellaneous (26)	1115.37	-0.4	12.83	4.51	9.35	18.12	1119.85	1116.60	1117.65	1287.50
49	INDUSTRIAL GROUP (488)	936.38	-0.5	9.67	3.86	13.04	6.66	941.32	934.62	931.75	1021.64
51	Oil & Gas (12)	1852.04	-1.2	10.31	5.54	12.54	37.37	1874.40	1870.20	1835.92	1814.54
59	500 SHARE INDEX (500)	1013.54	-0.6	9.76	4.10	12.97	9.25	1019.90	1013.37	1007.97	1088.77
61	FINANCIAL GROUP (122)	667.43	+0.1	–	4.92	–	10.54	666.90	663.07	659.43	684.82
62	Banks (8)	620.16	-0.3	24.31	6.55	5.52	16.84	622.00	619.83	616.71	733.35
65	Insurance (Life) (8)	981.11	+1.5	–	5.11	–	20.39	966.44	951.96	947.61	933.73
66	Insurance (Composite) (7)	535.80	-0.1	–	5.52	–	8.40	536.15	534.17	534.27	525.60
67	Insurance (Brokers) (7)	893.65	-0.1	11.58	7.11	11.27	16.98	894.20	885.58	873.21	1113.78
68	Merchant Banks (11)	347.15	—	–	4.15	–	3.61	347.07	341.44	339.70	365.77
69	Property (51)	1155.90	+0.3	4.80	2.67	26.62	3.62	1152.42	1149.94	1138.53	966.15
70	Other Financial (30)	389.65	-0.9	9.93	4.28	12.65	3.61	393.15	390.58	389.19	451.48
71	Investment Trusts (82)	868.64	-0.4	–	2.93	–	5.49	872.42	865.99	865.85	952.48
81	Mining Finance (2)	439.99	-2.0	10.57	4.28	10.70	2.01	448.91	445.62	443.81	478.87
91	Overseas Traders (8)	1005.38	-1.3	10.12	5.22	11.71	14.93	1018.55	1013.23	1007.81	925.69
99	ALL-SHARE INDEX (714)	920.88	-0.5	–	4.20	–	9.25	925.79	919.91	915.11	981.42

	Index No.	Day's Change	Day's High	Day's Low	Apr 19	Apr 18	Apr 15	Apr 14	Apr 13	Year ago
FT-SE 100 SHARE INDEX ♠	1786.8	-12.1	1800.1	1783.2	1798.9	1787.8	1778.6	1787.2	1810.4	1955.7

FIXED INTEREST

	PRICE INDICES	Wed Apr 20	Day's change %	Tue Apr 19	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	124.26	-0.08	124.36	–	3.76
2	5-15 years	142.46	-0.23	142.78	–	4.46
3	Over 15 years	150.77	-0.21	151.09	–	5.65
4	Irredeemables	171.46	-0.30	171.97	–	1.54
5	All stocks	138.88	-0.18	139.13	–	4.37
	Index-Linked					
6	5 years	126.72	......	126.71	–	0.51
7	Over 5 years	120.96	......	120.96	–	1.18
8	All stocks	121.25	......	121.25	–	1.12
9	Debentures & Loans	120.37	-0.50	120.98	–	2.67
10	Preference	90.38	......	90.38	–	1.90

	AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 20	Tue Apr 19	Year ago (approx.)
	British Government				
1	Low	5 years	8.44	8.39	8.22
2	Coupons	15 years	8.96	8.92	8.94
3		25 years	8.88	8.88	8.96
4	Medium	5 years	8.82	8.76	9.12
5	Coupons	15 years	9.18	9.15	9.15
6		25 years	9.07	9.07	9.15
7	High	5 years	8.90	8.85	9.29
8	Coupons	15 years	9.32	9.29	9.28
9		25 years	9.10	9.09	9.07
10	Irredeemables†		8.70	8.66	9.08
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.19	2.19	3.04
12	Inflation rate 5%	Over 5 yrs.	3.67	3.67	3.55
13	Inflation rate 10%	5 yrs.	1.21	1.34	2.48
14	Inflation rate 10%	Over 5 yrs.	3.50	3.52	3.43
15	Debs &	5 years	10.80	10.71	9.96
16	Loans	15 years	10.58	10.51	10.11
17		25 years	10.58	10.51	10.15
18	Preference†		9.95	9.95	10.48

♠Opening index 1798.0; 10 am 1798.8; 11 am 1798.7; Noon 1794.2; 1 pm 1791.8; 2 pm 1789.0; 3 pm 1789.5; 3.30 pm 1786.9; 4 pm 1785.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGES: Burnett & Hallamshire is now NSM.

LONDON TRADED OPTIONS

[illegible]

April 20 Total Contracts 45,902 Calls 31,427 Puts 14,475. FT-SE Index Calls 1078 Puts 2218. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE | JAPAN

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices April 20

MONTREAL

Closing prices April 20

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 39

INDICES

NEW YORK — DOW JONES

	Apr. 19	Apr. 18	Apr. 15	Apr. 14	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	1999.50	2008.12	2013.93	2005.64	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.91	89.33	89.48	89.53	91.25 (3/3)	86.12 (4/1)	-	-
Transport	836.47	836.17	833.33	841.85	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	168.74	168.56	169.16	170.16	190.02 (29/1)	168.56 (18/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2047.08 (2023.04) Low 1990.55 (1985.74)

STANDARD AND POOR'S	Apr. 19	Apr. 18	Apr. 15	Apr. 14	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	257.92	259.21	259.77	259.75	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	300.50	302.05	302.68	302.32	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.95	22.00	22.06	22.29	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	146.17	146.77	147.00	147.14	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/82)
Amer Mkt. value	299.92	300.92	299.24	298.92	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	376.86	375.10	373.90	374.52	383.41 (13/4)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Apr. 1	Mar. 25	Mar. 18	year ago (approx.)
Dow Industrial Div. Yield	3.38	3.33	3.35	2.86

	Apr. 13	Apr. 6	Mar. 23	year ago (approx.)
S & P Industrial div. yield	2.90	2.96	2.93	2.47
S & P P/E ratio	15.60	15.21	15.39	22.12

TRADING ACTIVITY † Volume

Millions	Apr. 19	Apr. 18	Apr. 15
New York	161.910	144.775	235.187
Amex	9.112	9.088	10.920
OTC	128.543	102.014	130.171

NEW YORK	Apr. 19	Apr. 18	Apr. 15
Issues Traded	1,977	1983	1,969
Rises	779	785	563
Falls	738	757	992
Unchanged	465	441	414
New Highs	12	5	11
New Lows	15	12	22

CANADA

TORONTO	Apr. 19	Apr. 18	Apr. 15	Apr. 14	1988 High	1988 Low
Metals & Minerals	2877.5	2849.7	2758.8	2757.4	2877.5 (19/4)	2238.7 (8/2)
Composite	3373.7	3371.3	3350.3	3344.2	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1655.50	1659.53	1647.13	1644.03	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Pacificorp (xd)	6,221,500	33⅝	- ½
Inco	2,741,400	28⅛	- ½
Chicorp	2,235,900	19	- ¼
AT&T	1,982,500	26½	+ ⅛
IBM	1,748,300	113⅛	- ⅝
Alcan Aluminium	1,715,200	29⅝	+ 1¼
General Electric	1,686,900	39½	
Amax	1,479,700	22⅛	+ 1¼
Exxon	1,478,400	42⅛	- 1¼
Aluminum Co of Am	1,467,300	46½	+ 3

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Apr 20	Apr 19	Apr 18	Apr 15	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1438.1	1452.4	1451.0	1436.9	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	692.9	704.7	693.2	678.8	773.6 (4/1)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	172.45	172.51	172.48	173.29	178.92 (21/3)	163.98 (11/2)
BELGIUM Brussels SE (1/1/80)	4682.3	4705.8	4685.2	4660.5	5043.1 (9/3)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	193.89	193.32	192.61	193.10	200.07 (11/4)	180.68 (4/1)
FINLAND Unitas General (1975)	640.4	635.4	631.7	631.2	646.4 (12/4)	530.6 (15/1)
FRANCE CAC General (31/12/82)	300.4	301.2	302.6	296.8	306.9 (23/2)	251.3 (29/1)
Ind. Tendance (31/12/87)	107.7	107.7	108.8	108.2	112.3 (25/2)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	455.24	457.82	455.3	454.49	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1388.4	1398.1	1389.8	1386.3	1457.5 (18/3)	1207.9 (29/1)
HONG KONG Hang Seng Bank (31/7/64)	2578.44	2593.93	2581.96	2598.95	2684.13 (14/4)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	520.12	517.94	518.61	517.80	545.07 (18/3)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	26864.09	26657.00	26671.48	26893.57	27111.35 (14/4)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2162.46	2150.89	2155.29	2173.80	2193.93 (14/4)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	247.0	248.5	248.7	247.3	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	205.4	206.6	206.9	205.9	211.7 (14/4)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	391.91	394.33	398.14	389.85	412.04 (11/4)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	938.4	930.9	930.7	933.4	969.40 (21/3)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1282.0	1273.0	1317.0	1304.0	1790.0 (7/1)	1212.0 (29/2)
JSE Industrial (28/9/78)	1516.0	1514.0	1521.0	1521.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	272.39	272.87	274.87	273.32	281.14 (14/4)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	2719.8	2710.5	2716.6	2744.6	2808.7 (14/4)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	516.2	520.5	(c)	524.9	539.5 (18/3)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	453.4	455.9	458.8	463.4 (13/4)	401.0 (21/1)

**Saturday April 16: Japan Nikkei (c). TSE (c)

† Amended at source.

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Appleyard	401	+ 7	Cadbury Schweppes	286	- 8
Christies Intl.	562	+ 17	Clyde Petroleum	138	- 7
Hawker Siddeley	468	+ 8	DRG	370	- 7
RHM	337	+ 8	Lucas Inds.	527	- 8
Ratners	264	+ 7	Polly Peck Intl.	275	- 9
Scapa	244	+ 16	Reckitt & Colman	839	- 16
Sears	134	+ 8	Robinson (T.)	455	- 10
Shiloh	276	+ 13	Rowntree	727	- 11
Storehouse	287	+ 12	Tyndall Hldgs.	148	- 7
Yellowhammer	164	+ 11	Utd. Biscuits	268	- 8

TOKYO – Most Active Stocks

Wednesday, April 20, 1988

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	150.19m	353	+13
Mitsui Engineering	56.18m	341	-4
Nippon Kokan	50.20m	411	+10
Mitsubishi Heavy Ind	41.83m	745	+19
Nippon Steel	33.39m	486	+10
Bridgestone	22.67m	1,520	+110
Isuzu	16.07m	486	-21
Minebea	11.96m	1,080	+70
Isuzu	11.72m	535	+2
Keisei Railway	11.19m	910	-13

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.6	19	280	23¼	23⅛	23⅛	
27	10½	AGS n			15	436	17⅜	17⅛	17⅜	
8⅝	3¼	AM Intl				1034	4	3¾	3⅞	
66½	25¾	AMR			78	7381	43¾	41¾	41¾	−¼
27¼	24⅞	ANR pf	2.67	10.		20	26½	26¼	26½	+¼
12¼	6⅜	ARX			9	28	6⅞	6⅝	6⅞	+¼
72⅞	40⅛	ASA	3	6.6		299	45½	45	45¼	−⅜
22⅝	9½	AVX			14	133	17⅜	16⅞	16⅞	−¼
66⅝	40	AbtLab	1.20	2.6	16	5077	46⅞	45⅝	45⅞	−⅝
26	15⅝	Abitibi g	1			649	18¼	17⅞	17⅞	−¼
16¾	6⅛	AcmeC	.40	3.3		46	12¼	12⅛	12⅛	−¼
10½	6¾	AcmeE	.32b	4.3	20	8	7⅜	7¼	7⅜	+⅛
20	14⅛	AdaEx	3.05e	20.		114	15⅝	15¼	15½	+⅛
18¾	6⅞	AdamMl	.24	1.3	14	906	18½	17⅞	18¼	+⅞
24⅞	7½	AMD				8140	12⅞	12½	12⅝	
56¾	28¼	AMD pf	3	6.6		6	37½	37½	37½	−¼
11⅞	4⅝	Adobe			13	69	7⅜	7⅜	7¼	
20¼	16¼	Adob pf	1.84	10.		96	18	17¾	18	
21⅝	17½	Adob pf	2.40	12.		11	20½	20⅜	20½	
18	6⅛	Advest	.12a	1.7	7	178	7⅜	6⅞	7	−⅛
64¼	42⅝	AetnLf	2.76	6.6	6	2118	43	42⅝	42½	+⅛
83½	41	AflPub	.40	.7	33	1455	56¼	55	55⅛	−1½
23⅝	13	Ahmans	.88	6.3	7	1993	14⅜	14	14	−⅛
4⅞	1¾	Aileen				251	3⅝	3½	3⅝	
53⅞	29	AirPrd	1	2.2	14	2434	46¼	45	45	−¾
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

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Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

[illegible]

Continued on Page 37

AMERICA

Dow falls and bonds drift as inflation worries grow

Wall Street

EQUITIES extended this week's downward trend yesterday while bonds drifted with little conviction in both directions as inflation worries continued to cast a shadow over the mood, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 14.09 points lower at 1,985.41. Volume was only moderate with fewer than 150m shares changing hands.

US Treasury bonds fluctuated narrowly both lower and higher. Prices first rose by about ¼ point and then fell to stand ¼ point lower at midsession after the release of consumer prices data, before drifting higher during the afternoon to be quoted up to ¼ point higher in late trading.

Towards the close, the Treasury's benchmark 30-year issue was quoted ⅛ point higher to yield 9.01 per cent. Earlier, its yield had reached 9.06 per cent, the highest since early January.

Inflation concerns dominate both markets. Yesterday's release of the consumer prices index for March sent some mixed signals and, overall, had little impact. Rumours on Tuesday of a very large 0.9 per cent rise had hit bonds badly.

The 0.5 per cent gain reported last month was higher than most forecasts which had looked for an increase of 0.3 per cent to 0.4 per cent and bond prices fell to stand as much as ¾ point lower than Tuesday's close having recorded early gains in the day of around ½ point.

Bond prices then recovered from their lows as traders realised that the larger than expected rise was mostly due to a single component – apparel prices which jumped by an unprecedented 2 per cent. Mr Marlin Fitzwater, White House spokesman, was quick to point out the importance of the apparel component and said inflation remained under control.

However, the day also saw the publication of the annual report by the Joint Economic Committee. Both Republicans and Democrats expressed concerns about inflation. In their section of the report, the Democrats said there were signs that inflation could re-emerge as a problem and that inflationary overheating could present "substantial problems" for capital markets, particularly bonds.

Republicans, while praising the administration's record on fighting inflation, said there were "sufficient reasons to worry about a resumption of inflation."

Last Thursday's decline of more than 100 points in the equity market on news of a sharply wider trade deficit in February has heightened investor nerves and continues to be a dampener on volume and interest. Despite a round of very positive corporate earnings announcements on Tuesday, the market still ended down on the day, evidence of how depressed the mood is.

Two other important factors which have been affecting the mood, particularly in the bond market, are the dollar and oil prices. Bonds seemed to derive some limited benefit from the dollar's recovery from early weakness above Y124 and it rose in late trading to DM1.6865, at the top of the day's range.

Meanwhile, oil prices continued to slip back from Monday's highs. Crude oil for June delivery was quoted 26 cents lower in afternoon trading on the New York Mercantile Exchange at $17.88 a barrel.

Blue chips also weakened. International Business Machines was quoted $¼ lower at $112⅝, General Electric slipped $⅝ to $39, Philip Morris was down $1⅝ at $86¼ and Procter & Gamble eased $⅞ to $76⅞.

Dow Chemical slipped $⅜ to $94 despite its announcement of extremely good first quarter results. The company said it had achieved net earnings of $2.67 a share compared with $1.28 a year earlier. Mr Frank Popoff, president, said that every business group had contributed to the results and that the company was experiencing strong demand worldwide.

American Telephone & Telegraph was unchanged at $26½ after its announcement of net earnings of 46 cents a share compared with 40 cents a year earlier, results which were within analysts' expectations.

Canada

WORRIES about rising interest rates took Toronto stock prices sharply lower.

The composite index closed down 28.37 at 3345.37. Declines outnumbered advances by 573 to 298, on moderate volume of 22.9m shares.

David Dodwell on contrasting foreign and local attitudes behind recent volatility

Tangled forces at play in skittish Hong Kong

HONG KONG'S stock market appears to have entered a period of extreme volatility after last week's collapse on Wall Street. Share prices have oscillated widely, with foreign and local brokerages agreeing only about the extent of their disagreement on medium-term prospects.

Trading yesterday followed the pattern of the past week, with prices lifted by local buyers in the morning, only to be depressed after lunch as sell orders from London flowed through towards the close.

The Hang Seng index rose by over 12 points by lunch, crossing the 2,600 level, only to slump in the last half hour to end 15.5 points down at 2,578.

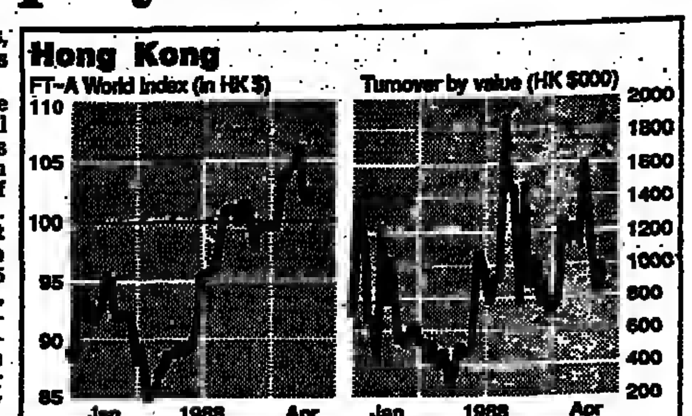
Such skittishness is not easily reconciled with the phenomenal oversubscription last Friday of a public offering of HK$109m (US$14m) worth of shares by the Thai agro-industrial group, C.P. Pokphand. Prospective investors threw almost one-third of Hong Kong's money supply at the issue, with more than 280 bids for every share on offer.

While some will say this first Thai flotation on the Hong Kong market offers no general insights, it does hint at the tangle of forces at play.

One notable bullish force is the indisputable strength of the local economy, of blue chip companies and of the property sector, which accounts for a large proportion of the stock market's capitalisation.

There are increasing signs that the Government will have to revise upwards its forecasts of 5 per cent real GDP growth in 1988, as exports continue to rise annually at over 20 per cent. The budget surplus is likely to pass HK$10bn and a number of major infrastructure projects recently announced — including a new container port, a major road tunnel and a HK$8bn property development — have bolstered confidence that strong growth can be sustained well into the 1990s.

The share prices of quoted property companies – such as Henderson Land, Hang Lung, New World and Sun Hung Kai Properties – have surged ahead in recent months. Property shares have risen by an average 17 per cent over the three months to April 15, playing a large part in the index's rise.



In contrast, banking shares are up only 3.3 per cent for the last three months and utilities by a bare 1.5 per cent.

Only commercial and industrial stocks, which were punished after the October crash, have come near to matching the property sector, with improvements averaging almost 14 per cent since mid-January.

Most commentators expect continued strong economic growth, good corporate performances and a resilient property sector, but are unwilling to bet that the share market will follow suit.

This is partly because, since October, most investors have recognised the local market as a proxy for the US economy.

One prominent stockbroker noted that most foreign clients, after pruning their Hong Kong portfolio in October, retain only core stocks that they do not want neither to sell nor buy more of.

"At present, they are just watching and waiting," he explained. "They remain nervous about Tokyo and Wall Street, and are much more concerned about reading those markets right than they are about maximising gains on a marginal market like this one."

The apparent unwillingness of some institutions to trade has squeezed the supply of blue chip stocks, making price movements more volatile on low turnover. Paradoxically, this has provided marvellous opportunities for local brokerages to benefit from the oscillations and has lifted turnover back over HK$1bn a day in recent weeks. "There are good profits to be made on the ebb and flow," said one analyst, "but that doesn't mean the index is going anywhere."

Local pessimists, expecting further gloomy trade news from the US and pointing to hints that local manufacturers' order books are shrinking, claim share prices are poised for a major correction that could push the Hang Seng index back to 2,200.

Others, focusing on the HK$5bn in dividend income due to be paid out during May, say growing liquidity will enable the market to rise through the current turbulence, lifting the index towards 2,900. It takes a nimble brain to find common ground between them.

SOUTH AFRICA

GOLD stocks finished mostly lower in Johannesburg in thin trading, with few foreigners participating in the market.

The steady bullion price at its higher levels failed to raise volume. Among gold stocks, Vaal Reefs lost R4 to R253, Driefontein declined 25 cents to R32.25 and Freegold was off R1.50 at R32.25.

Gencor was steady at R48.75 despite lower operating profits from its mines.

ASIA

Nikkei turns up as bargain-hunters move in

Tokyo

BARGAIN-HUNTERS moved into Tokyo yesterday to pick up large-capital and high-technology stocks, helping to drive share prices higher for the first time in four trading days, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rose 207.09 to close at 26,864.09. It ranged between a high of 26,894.24 and a low of 26,662.78. Volume grew to 993m shares from Tuesday's 638m, and advances outpaced declines by 595 to 305, with 156 issues unchanged.

Buying enthusiasm was boosted by signs that the US and Iran had moved back from further confrontation in the Gulf.

Large-capital stocks attracted strong buying interest in late trading. Kobe Steel topped the active list with 150.19m shares changing hands. It closed Y13 higher at Y353 after rising Y16 and coming close to its record of Y359 scored in April last year.

Mitsui Engineering and Shipbuilding was the second busiest issue with 55.18m shares. The stock jumped Y6 to Y351 briefly on investor expectations of its move into the resort business. It came under selling pressure later to end Y4 lower at Y341.

High-technology stocks came into the spotlight, with Matsushita Electric Industrial adding Y20 to Y2,760, TDK Y20 to Y4,650 and Fuji Photo Film Y70 to Y4,080.

Some issues with specific incentives fared well. Bridgestone soared Y110 to Y1,520 on investor reappraisal of its bid for the tyre division of Firestone Tire and Rubber of the US.

Ajinomoto finished Y60 higher at Y3,460 after reports that the US patent and trademark office had approved its patent concerning production of an anti-cancer drug, Interleukin-2.

Resource-related stocks, which were bought heavily the previous day due to the tense situation in the Gulf, turned down. Arabian Oil shed Y110 to Y2,090 and Teikoku Oil Y34 to Y855.

Bond prices moved erratically. The yield on the benchmark 5.0 per cent government bond, due in December 1997, opened slightly lower on repurchases by dealers.

The bond came under selling pressure later and its yield rose sharply to 4.475 per cent compared with Tuesday's close of 4.405 per cent, before ending at 4.470 per cent.

Conversely, the former benchmark issue, the 5.1 per cent bond maturing in June 1996, was bought actively, with its yield falling to 4.435 per cent from 4.441 per cent at Tuesday's close.

Osaka Securities Exchange prices rallied moderately. The 250-issue OSE average ended 126.11 points higher at 26,812.73, on an estimated volume of 109m shares, up 52m from Tuesday.

Izumiya, reporting good results, leaped Y120 to Y2,500.

Australia

AN UNEXPECTEDLY large current account deficit for March sent Australian share prices sharply lower across the board. The negative mood was exacerbated by Wall Street's decline and easier bullion and oil prices.

The All Ordinaries index finished just off its low at 1,430.1, down 22.3, in moderate volume following the A$1.18bn deficit compared with February's A$802m.

The banking sector was worst hit among industrials on news that union members of Commonwealth Bank had ruled out a merger with a private bank. Westpac lost 28 cents to A$5.82 and National Australia Bank 22 cents to A$5.02.

Singapore

ACTIVE buying interest returned to Singapore as investors sought shares on recent weakness, encouraged by Tokyo's gains.

The Straits Times industrial index advanced 7.58 to 938.48 and turnover picked up to 20m from 18m on Tuesday despite continued caution in institutions.

Among the most active stocks were Consolidated Plantations, 11 cents higher at S$2.31 on turnover of 1.6m shares, and Faber Merlin, up 3 cents at 37 cents on 1.1m shares.

EUROPE

New US figures knock sentiment

WORSE-than-expected US consumer price figures for March hit equities in Amsterdam and Brussels, while Frankfurt ended lower as investors awaited the news. In Paris, prices eased before today's end of account, *writes Our Markets Staff.*

FRANKFURT saw another unexciting day as investors waited for consumer price news from the US, and the market slipped back to end near the day's lows.

The FAZ index lost 2.58 to 455.24 with Nixdorf the main feature as investors reacted negatively to Tuesday's results.

"There's a general fatigue about the market as a whole and no one knows which way it is going to turn," said one saleswoman.

Nixdorf fell DM14.80 to DM509.20, after losing DM11.50 the previous day, giving a two-day loss of 5 per cent. Porsche also fell back to end at DM530, losing the DM22 gained on Tuesday on news of large job cuts.

Viag rose initially to DM216 after the previous day's news that the Government would sell its stake next month. But the energy and chemicals group ended down 40 pfg at DM214.20.

Bonds lost between 15 and 40 pfg, with the 6¾ per cent 1998 bond yielding 6.27 per cent after 6.25 per cent.

MILAN ended mixed as investors awaited Pirelli's return to trading today. Early demand for some blue chips was followed by selective profit-taking, and the MIB index added 5 to 1,075.

The session saw continued takeover speculation about paper producer Burgo, which rose L360 to L13,460. The stock has put on 5 per cent over the past two sessions, with daily volume of about 1½m to 2m shares, compared with 130,000 early last month.

The stock is the latest on the rumour mill, of which Kleinwort Grieveson Securities says in its Italian monthly report: "Imagination is flowing freely in Milan and is providing the market with some quite amusing stories."

Sme lost L100 to L2,170 in the wake of the court ruling on its sale. Hopes that the state-controlled food group would be up for sale were dashed when Prime Minister Ciriaco De Mita said in Parliament that he did not anticipate any further disposals by Sme's parent Iri.

Montefibre added L112 to L1,910 on expectations it might be sold by the Montedison group.

PARIS moved lower in thin turnover as investors squared positions before today's close of the April trading account.

The first round of the presidential election on Sunday is injecting a note of caution, but analysts do not rule out a pick-up in activity and prices when the new account starts tomorrow. "There's not a great deal of downside in this market and there's been no heavy selling," commented one analyst.

The CAC General index, based on opening prices, eased 0.8 to 300.4

A hefty portion of the day's turnover was in insurer Cie du Midi, which jumped FFr99, or 6 per cent, to FFr1,710 despite Tuesday's news of a convertible bond issue. On Monday it emerged that Italy's Generali had raised its stake in Midi to over 13 per cent, and yesterday's speculative activity was attributed partly to a press report that Generali now wants effective control of the group.

Peugeot ended FFr8 lower at FFr1,050 on profit-taking as it announced 1987 profits of FFr6.71bn in line with market expectations. The share price has risen about 14 per cent over the past two weeks

Michelin, suffering a pay strike at its headquarters in Clermont Ferrand, lost FFr4 to FFr188.50.

AMSTERDAM was hit by the higher-than-expected rise in the US consumer price index, as well as by general uncertainty over global financial markets. The ANP-CBS index eased 1.5 to 247.

Amro, which reported improved first quarter gross earnings without stating a figure, added Fl 1 to Fl 69.30.

BRUSSELS was in hesitant mood as share prices closed mixed in relatively quiet trade.

A combination of factors held investors back. There were doubts over whether attempts to form a new Belgian government would succeed, concern over inflation after the rise in US March consumer prices, and position squaring as the two-week trading account on the forward market ended.

The Brussels stock index slipped 23.51 to 4,682.3 after the previous day's small gain.

Profit-taking pushed down chemicals company Solvay, which announced a share issue and improved profits on Tuesday. It fell BFr100 to BFr12,300 in heavy trade after rising 4 per cent in under a week.

Another chemicals company, UCB, which reports 1987 results this week, moved up BFr120 to BFr8,820 on rumours that Belgian holding company Financière Obourg wanted to raise its stake.

ZURICH responded with disappointment to some company news and the previous day's fall on Wall Street. The Crédit Suisse index lost 2.7 to 451.2.

Trading in Société Internationale Pirelli was resumed after Tuesday's suspension pending news of its restructuring. The price dropped SFr39 to SFr278 as shareholders sold following the company's forecast of lower 1988 profit and a dividend cut.

Machinery company Brown Boveri fell SFr25 to SFr2,040 despite improved annual results. Sandoz made a slight gain of SFr10 to SFr1,810 on news of a 4 per cent rise in first quarter sales.

MADRID fell on worse-than-expected domestic inflation figures showing a rise of 0.7 per cent in March. Expectations had been closer to 0.3 per cent.

All sectors except food and construction retreated and the general index shed 0.48 to 272.39.

Utilities were mainly easier, but Iberduero, which announced virtually unchanged 1987 pre-tax profits and a possible rights issue, was up 1.5 percentage points at 145.20 per cent of par.

STOCKHOLM ended higher after three days of losses, although volume remained thin.

US inflation data arrived just before the close, weakening sentiment a bit, and the Affärsvärlden general index finished up 0.4 per cent at 793.1.

Turnover reached SKr245m worth of shares, against the previous day's SKr474m.

London

INTERNATIONAL stocks had a quiet day in London yesterday and mostly drifted a little lower.

British Telecom attracted some Japanese buying but eased slightly, while lower crude oil prices led to profit-taking in related stocks, with BP off 5p at 274p.

Nervousness crept in just before the release of the US consumer price figures but the announcement had little effect, as the FT-SE 100 Index closed 12.1 down at 1,786.8.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 20 1988					TUESDAY APRIL 19 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	118.88	-1.7	93.08	105.44	4.12	120.95	94.70	107.48	122.31	91.16	128.93
Austria (16)	91.94	+0.3	71.99	79.24	2.64	91.65	71.76	79.05	98.18	84.35	92.21
Belgium (65)	127.28	-0.7	99.66	109.86	4.52	128.13	100.32	110.59	139.89	99.14	118.72
Canada (126)	124.05	-0.6	97.13	110.31	2.98	124.80	97.72	111.47	125.49	107.06	129.00
Denmark (39)	119.43	+0.7	93.51	103.83	2.77	118.61	92.87	103.12	123.36	111.42	112.75
Finland (25)	125.84	+0.5	98.53	105.01	1.98	125.24	98.06	104.58	127.89	106.78	–
France (121)	87.34	+0.1	68.39	77.41	4.30	87.22	68.29	77.30	92.81	72.77	118.62
West Germany (99)	78.65	-0.8	61.58	68.02	2.69	79.28	62.08	68.54	86.79	67.78	94.78
Hong Kong (46)	101.79	-0.4	79.70	102.08	4.46	102.19	80.02	102.50	105.83	84.90	107.20
Ireland (18)	119.51	-0.1	93.57	107.18	4.23	119.42	93.50	106.90	123.91	104.60	119.69
Italy (102)	79.31	+0.5	62.09	73.23	2.26	78.89	61.77	72.83	81.74	62.99	103.63
Japan (457)	173.88	+0.7	136.14	136.23	0.52	172.72	135.24	135.55	177.27	133.61	156.37
Malaysia (36)	128.59	+0.1	100.69	127.18	2.84	128.47	100.59	126.54	130.28	111.77	130.41
Mexico (14)	138.43	+1.8	108.39	344.63	1.03	135.95	106.44	338.45	176.50	90.07	149.42
Netherland (38)	109.19	-1.3	85.50	92.97	4.98	110.58	86.58	94.13	110.66	95.23	115.32
New Zealand (22)	76.58	-0.7	59.96	61.17	5.39	77.12	60.38	62.10	79.15	64.42	95.30
Norway (25)	126.37	-0.6	98.94	105.53	2.80	127.08	99.50	106.21	129.29	98.35	132.30
Singapore (26)	108.07	+0.8	84.62	99.70	2.51	107.16	83.90	98.86	114.99	97.99	125.88
South Africa (60)	127.77	-2.6	100.03	81.11	5.16	131.21	102.66	83.59	139.07	118.16	174.64
Spain (42)	153.07	+0.3	119.85	127.67	3.34	152.62	119.50	127.48	155.36	130.73	117.00
Sweden (38)	120.05	+0.7	94.00	103.92	2.71	119.27	93.38	103.29	124.75	94.92	119.53
Switzerland (56)	80.73	-1.0	63.21	68.82	2.49	81.56	63.86	69.55	86.75	76.22	97.20
United Kingdom (330)	140.37	-0.6	109.91	109.91	4.34	141.18	110.54	110.54	141.18	123.09	128.81
USA (583)	104.32	-0.7	81.68	104.32	3.68	105.07	82.27	105.07	110.51	99.19	117.86
Europe (1014)	110.13	-0.4	86.23	91.33	3.83	110.62	86.62	91.75	110.71	97.01	115.02
Pacific Basin (676)	168.86	+0.6	132.22	133.59	0.77	167.88	131.45	133.02	172.29	130.81	155.49
Euro-Pacific (1690)	145.38	+0.3	113.83	116.81	1.66	144.99	113.53	116.63	147.53	120.36	138.14
North America (709)	105.38	-0.7	82.51	104.70	3.64	106.13	83.10	105.43	111.28	99.78	118.45
Europe Ex. UK (684)	91.39	-0.3	71.56	79.68	3.37	91.70	71.80	79.95	92.81	80.27	105.51
Pacific Ex. Japan (219)	108.41	-1.0	84.89	99.66	4.20	109.50	85.74	100.82	111.82	87.51	118.36
World Ex. US (1890)	144.47	+0.2	113.12	116.32	1.73	144.26	112.87	116.19	146.49	120.26	138.22
World Ex. UK (2143)	127.89	+0.0	100.13	112.45	2.12	127.91	100.15	112.56	130.28	111.77	130.41
World Ex. So. Af. (2413)	128.99	-0.1	101.00	112.42	2.31	129.06	101.06	112.58	130.96	113.26	129.97
World Ex. Japan (2016)	107.44	-0.6	84.12	99.75	3.75	108.13	84.67	100.40	111.09	100.00	117.85
The World Index (2473)	128.99	-0.1	100.99	112.20	2.33	129.08	101.07	112.36	130.92	113.37	130.26

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

SECTION III

FINANCIAL TIMES SURVEY

Although fund managers have recovered their nerve after the stock market crash last autumn, the long-term reliance on ever-higher equity exposure needs to be reconsidered, says **Barry Riley**, Investment Editor.

Time for new thinking

A TREND is a trend until ... an event like last October's global stock market crash. For a decade or more up to that date the long bull market in equities had dominated the thinking of pension fund managers. Many managers closed their books at the end of the September quarter with 85 or 90 per cent of their assets in equities at home or abroad. It was a strategy that was, at last, about to cost them dearly.

Throughout most of the 1980s the investment performance message was basically pretty simple. The more you had in equities, the better the returns would be. Admittedly, bonds had a good year in 1982, but in every other year since 1977 equities had done better, usually much better.

Property, too, was in the doldrums as a kind of leftover inflation hedge of the 1970s. For years it had held back the performance of the big nationalised industry funds, which were loaded with huge property holdings. The pacier merchant banks and independent managers dropped property altogether.

But in chasing return, too many managers had lost sight of risk. Right through last summer most pension funds were still increasing their equity exposure, lured in by an unprecedented volume of new corporate issues (boosted by privatisation offers). Then came October 19. Property and gilt-edged came from nowhere to become the best-performing assets of the year.

It is now time for a fundamental rethink. Every once in a while the general assumptions need to be challanged. Until the 1950s, after all, pension funds were almost entirely invested in bonds. That posture was undermined by inflation and by the switching of most company pension schemes from a money purchase basis to a final salary basis, which meant that heavy investment in fixed interest securities involved a dangerous mismatch.

By the 1980s, therefore, the conventional wisdom had become precisely the reverse: that equities were the natural and safe pension fund investment. But can that be squared with the extreme volatility exemplified by the crash? And there is also the personal pensions revolution. Companies are starting to drift back to money purchase methods, at any rate for alternative schemes. That could imply significant changes in investment objectives.

Traditionally, pension schemes have placed all their assets with a balanced manager, and told him to earn the best return he can. The results have not, on the whole, been very brilliant in relation to the returns available in the financial markets. Funds have tended to underperform the indices.

Yet the indices themselves have been so buoyant that nobody has been complaining. Even after last year's debacle, when the median fund only achieved a return of some 2 per cent, against the 8 per cent rise in pay-linked liabilities, the five-year annualised return stands at some 17 per cent.

But returns through the 1980s have been unsustainably high. Although the crash was a shock when it happened, a bad year was overdue, and perhaps more than one. Now, pension fund trustees are bound to examine their managers' performance more critically and consider whether a greater degree of fund-splitting and specialisation could give better results. They also need to address the variable nature of liabilities: whether they are pay-linked, inflation-linked (as with pensions in payment) or have some other orientation, as with money purchase plans where extreme volatility will need to be avoided.

The problem is that pension fund trustees are usually ill-equipped to take on strategic decisions of asset allocation or set investment objectives. Several groups of advisers are now attempting to step into the breach.

For example, firms of consulting actuaries are developing investment strategy services. But their primary role is to advise on the solvency of funds and the performance of the investment managers; there could be a conflict of interest if they get involved in management itself. Certainly fund managers are beginning to complain about the domination of pension fund investment by actuaries, and in particular about the over-elaborate management selection procedures. Irritation will turn to resentment if actuaries attempt to strip the asset allocation responsibility from balanced managers.

Secondly, US-style non-actuarial pension consultants, of which Frank Russell is the best-known, are seeking to market their expertise, in particular in selecting specialist managers for multi-manager structures and controlling their activities thereafter. Several US commercial banks are now providing in the UK the sophisticated, if expensive, custody services needed to if these methods are to work.

Finally, independent firms are being launched to provide a specialised asset allocation service. Probably some of the traditional investment management firms would also be willing to take on such a role, but they would be likely to want a much higher fee than UK trustees would countenance paying (unlike their more generous US counterparts, who thanks to the ERISA pension fund legislation are anxious to be able to prove that they have sought the best possible advice).

The growing competition and splintering of roles in pension fund investment is partly a reflection of the increasing maturity of many schemes. Membership of occupational schemes peaked at the beginning of the 1980s. And as schemes get older, so do their members, and retirement payouts begin to balance contributions in respect of employees. Trends towards early retirement enhance this effect.

Temporarily at least, the phenomenon of overfunding is also cutting back the flow of contributions. Many companies, possibly as many as a third, have declared contribution holidays for themselves (though rarely for their employees).

Contrary to popular impression, the stock market crash has made little difference to this. Actuaries assess fund solvency on the basis of growth of investment income, which has continued to rise fast, whatever the trend of share prices. The trend is unfortunate for external fund managers, who charge fees as a percentage of the value of funds managed. There will be a squeeze on the income of managers this year.

Now there is the further challenge of personal pensions. From April 1 members of occupational schemes acquired the right to opt out. From July marketing will begin of new-style personal pension plans. Most companies are hostile, and are putting obstacles in the way of employees seeking to choose the personal pensions route; for instance, almost all companies are withholding all contributions from a personal plan (other than the mandatory rebate of national insurance contribntions) and many are even denying death-in-service cover and disability insurance.

Snch resistance may not be permanent, however. It may well become more common for final salary occupational schemes to be focused upon older employees, with entry dates raised to 35 or 40. Mobile workers will be inclined to opt out entirely. The flow of contributions into traditional schemes will slacken.

On the other hand, companies are increasingly likely to set up alternative money purchase arrangements as a form of in-house personal pension plan. This kind of plan will maintain the link between employer and employee and may well also offer cost savings compared with open market plans where the commissions and charges could be very high.

Moreover, many smaller companies which were never willing to take on the expense of a contracted out final salary scheme are now considering the more attractive alternative of a "comps", a contracted out money purchase scheme.

These developments offer a splendid opportunity for insurance companies to force their way back into the occupational pension scheme market. In the past 25 years they have lost a lot of ground in larger company schemes to the merchant banks, stockbrokers and independents who now dominate. Only the Prudential is a top twenty contender in the external manager lists. But insurance companies still predominate in the smaller company sector.

The crucial factor here is the greater level of administration required to operate comps and other personal pension schemes. Insurance companies, and perhaps unit trust groups, have the systems which can cope. Merchant banks and investment management boutiques do not.

One possibility is for the specialist managers to link up with building societies and other potential pensions providers which have distribution capability for their branded products but lack investment expertise. Another is to find external administrators which can take on the paperwork and will permit the investment houses to market schemes under their own or a client company's name.

First the crash, then personal pensions. The structural effects may not be instantaneous, but they will be lasting. In pension fund management the next decade is unlikely to be anything like the last.

The fall in world stock markets last October was a blow for pension fund managers, but now their confidence is returning.

Pension Fund Investment

CONTENTS

Performance factors in a crucial year

Managers remain nervous

IT WAS the year when the specialist equity managers finally found that their run of good fortune had ended, and when some of the more individualistic managers avoiding consensus strategies found themselves unexpectedly leading the performance tables.

But primarily 1987 was, of course, the year of the stock market crash. Until the end of the third quarter it was shaping up to be another year of high returns, with a typical pension fund returning some 30 per cent (not annualised) in that period, including a 45 per cent return to UK equities alone. Then came the equity market crash, and the bulk of that gain was wiped out within a few trading days.

In the event, the average fund returned just 3.4 per cent in 1987 according to the biggest measurement service, that of the WM Company. Excluding property, the return was just 2.4 per cent. The median was lower. The rival Caps measurement service service put the median return at 2.1 per cent, including property, and 1.7 per cent, excluding it.

Two Cinderella investment sectors, UK property and gilt-edged, came to the fore after years in the shadow of equities. With a return of around 20 per cent (the exact figure is somewhat subjective) property enjoyed its highest return since 1979, but the typical fund only has half the exposure to property, at 9 per cent, that it had then.

Much the same applies to gilts, which returned 16 per cent for calendar 1987, only the second time in a decade that they beat the rate of return on UK equities. But whereas UK bonds represented 23 per cent of a typical portfolio in the late 1970s, the proportion is now only some 13 per cent.

So did pension fund managers get it wrong in 1987? It really depends on what they should be expected to do. On one view, they got it very right during most of the 1980s, many of them jumping on the equity bandwagon and staying there at considerable profit for their clients. They should, perhaps, be judged on the longer-term outturn. Another view, however, is that most of them claim to be active managers and on that basis they badly misread 1987.

According to CSO figures, UK pension funds were net sellers of UK bonds and property in the first half of the year (admittedly only on a modest scale) but were piling heavily into UK equities during the third quarter. This was a period when there was a huge volume of UK equity issues (some £12bn worth between July and November) and many funds were sucked into the underwriting whirlpool.

Even where fund managers were trying to build up liquidity because of fears that equities were becoming overvalued they were sucked back into a high equity exposure because the failure of several major issues (culminating in BP) triggered underwriting commitments.

All the same, the major problem area in 1987 turned out to be overseas equities rather than the UK market. Overseas equity exposure peaked at 20 per cent at the beginning of the year and funds were heavy sellers, especially after the crash. By the beginning of 1988 the overseas equity percentage had dropped to 14 per cent.

The trouble was, fund managers tended to be too keen to get out of the best-performing foreign market, that of Japan. By UK standards Japanese equities have appeared to be ridiculously overpriced for several years. So UK pension funds have been sellers for at least 18 months. But the Tokyo market has performed well nevertheless, and the yen has been notably strong too.

The overseas equity performance has therefore been dire. According to WM, the average

External managers claim they have received relatively little criticism from trustees for the damage suffered in the crash. It was so sudden as to be seen as unavoidable

UK pension fund suffered a negative return of 18.5 per cent on overseas equities in 1987. But the Financial Times-Actuaries World Index (ex UK) lost only 8.7 per cent. Plainly there were some very ill-timed judgments here. Not only was the overall exposure to Japan too low but the wrong stocks were being held there. Sometimes, however, this was not entirely the UK managers' fault, as in the case of the privatised telephone giant NTT which foreigners were banned from from buying in the initial offering.

The Japanese problem will have intensified in the first quarter of 1988 with the Tokyo market up 21 per cent in sterling terms while the World Index (ex UK) was only 2 per cent higher. That spelt further trouble for those managers (nearly all of them) who were underweight in Japan.

Among the individual investment management houses the main sufferers in 1987 were those independents who became even more heavily biased towards equities as the market ballooned ahead of the crash. Many over them had an equity exposure of 90 per cent or more, and the average in September was as high as 80 per cent.

Firms like Henderson, Murray Johnstone and Geoffrey Morley produced returns in the minus 1 to plus 2 per cent range. In these circumstances the balanced managers obviously have an advantage, especially those which were foresighted enough to build up their bond and cash holdings in the third quarter. But there do not appear to have been many of the latter.

Gartmore was one of the few investment trust-based managers to take a defensive line, and its 5½ per cent return on pension fund portfolios was well ahead of the pack. Phillips & Drew also did well, and so did Hill Samuel which returned from several years in the performance wilderness with a claimed 7.9 per cent average achievement.

Out on the fringes, of course, there were some considerably better results, if only for small funds. Singer & Friedlander claims that its funds measured by Caps returned 11 per cent, while M & G's pension funds scored 16 per cent, and at CS Investments, Piers Mountstephens claims an average performance of 19.6 per cent on the basis of a 50 per cent commitment to bonds and 50 per cent to equities (with the emphasis, fortunately, on small company stocks).

Somewhere, a fund achieving a 40 per cent rate of return was found by Noble Lowndes' IPMS, the third largest performance measurement service. This anonymous fund, apparently run by an insurance company, succeeded through successful stock selection rather than by clever timing.

In fact UK stock selection proved to be a generally positive factor for pension funds in 1988, in sharp contrast to the pattern in overseas equities. Caps says the median fund achieved a return of 8.1 per cent on UK equities, against the All-Share Index's 7.8 per cent. But this small victory for fund managers has been lost in the general turmoil of the past year.

However, external managers claim they have received relatively little criticism from trustees for the damage suffered in the crash. It was so sudden as to be seen as unavoidable.

Moreover the longer-term performance numbers still look good. Caps shows a median rate of return of 16.9 per cent on an annualised basis over the past 5 years, and 16.6 per cent over 10. Wage inflation has respectively been 8 per cent and 11 per cent over these periods, so there has been a healthy surplus over the growth of liabilities.

Prudent managers will have been warning trustees for several years that the exceptional returns could not continue. In the event 1987 turned out to be the worst year for pension fund performance in nominal (though not real) terms since the disaster of 1974.

It has not turned into a crisis remotely on the 1974 scale. The crash could even be viewed as a healthy shakeout. But six months after the collapse of equities around the world many fund managers are still nervous that the bear market may not have finished.

Barry Riley

Marketing of fund management services

A highly competitive business

IT COULD turn out to be a quiet year for marketing fund management services to pension funds. Many boards of trustees will have more than enough on their plates working out the implications of the new personal pensions regime to worry about swapping managers.

That could have to wait until next year. Moreover, the effect of the crash appears to have been more to stun trustees into inactivity than to prompt them to sack managers who failed to foresee the collapse. In many cases the trustees were just as gung-ho about equities pre-crash as the fund managers were.

All the same, the long-run trend is towards more intensive marketing activity. Not too many years ago, marketing was no more than notional. Fund management business was picked up mainly on the basis of personal relationships with key financial executives at companies, which meant that in practice it was mostly secured by merchant bankers and stockbrokers over the port in cosy lunch rooms.

It is now very different. All the major fund management firms have their specialist marketing personnel and are geared up for a constant promotional effort. During the past three years funds valued at 25 per cent of the industry have changed their managers, underlining the need to win new accounts to replace those lost, let alone to achieve net growth.

Stage one of the marketing process is to fill in a multitude of forms for the pension consultants, who are mostly consulting actuaries. Pages of details are required, on matters like staff numbers and experience, investment philosophy and portfolio performance.

If the forms pass muster the next stage could be selection to a short list of candidates who appear at a beauty parade in front of the trustees. A prepared presentation — which should not be too slick, but not too amateurish either — is then followed by questions.

indicates a slight fall in the average size of the funds managed.

At the merchant bank, Robert Fleming, which has a consistent record of winning new accounts, the pension fund marketing specialist, Nick Holliday, says that the market place has become increasingly competitive.

"It's a constant struggle, trying to keep up with the competition and provide a better standard of presentation," he says. "It's a question of confidence, of making the trustees feel comfortable with the individuals they meet. Your investment performance has to stand comparison, but it does not necessarily have to be the best."

Trustees are particularly concerned about the experience of the managers and the level of personal service they will receive. If an external manager sends a different 25-year-old to see them each six months they are likely to become restive, almost whatever the investment performance achieved.

Beauty contests can be rather theatrical occasions, and indeed a parody of the selection process was stage-managed at the National Association of Pension Fund's investment conference at Eastbourne in February. Four leading actuaries played the parts of fund managers, drawing on their extensive experience of what actually goes on at such occasions, and generating many laughs at obscure in-jokes.

Two actuaries represented rather big, dull balanced managers. The other two played the parts of spokesmen for smaller firms, one a regional boutique and the other a City stockbroking firm of the old school.

In the end, the "trustees", played as another role-reversal exercise by investment managers, gave 90 per cent of the money to one of the big managers, and ten per cent to the boutique.

That appears to be a realistic pattern in real life. Our table of leading pension fund managers even though investment returns, in spite of the crash, were slightly positive last year and the average fund will have received some net inflows from contributions, too.

The implication is that funds are being split more frequently into sections which are parcelled out to different advisers for separate management. This gives a chance to smaller management firms which would not really be credible candidates for the overall mandate.

Many independent firms are now pitching for business with some success, including the likes of Martin Currie, Baillie Gifford and John Govett, all firms which were originally investment trust managers but have branched out into the growth business of pension fund management.

Enormous persistence can be required to win through, however. Conditions are rarely easy: "We are told to go to Wolverhampton at 3.0 tomorrow afternoon," complains one marketing man. The first client can be the hardest to win. Later, however, success can breed success, at least until it appears to trustees that the managers might become overloaded.

A handful of these small independents will become the major managers of the future. In the past few years, for example, Henderson has moved from nowhere to a place in the top ten. And although realistically the independents will mostly remain modest in size, they could still attract a lot of business away from the weaker of the established managers.

The fortunes of the independents can, of course, prove volatile. Ivory & Sime and Geoffrey Morley were two success stories of a few years ago, but they have now slipped out of the top twenty.

Looking at the league table as a whole, there appears to be a notable degree of polarisation, with the leading group in the table proving successful while those further down the list are often losing clients.

In past years this pressure has been obscured by persistent appreciation in the value of funds under management during the

Continued on page 3

Leading pension fund managers

	Value of funds 1987 (£m)	Value of funds 1986 (£m)	% change	Number of clients 1987	Number of clients 1986	% change
Mercury Asset Management	15,307**	12,760*	20.0	556**	435	27.8
Phillips & Drew Fund Mngt.	9,391	7,492	25.3	208	165	26.1
Robert Fleming Investment Mngt.	8,683	7,130*	21.9	143	133*	7.5
Barclays de Zoete Wedd Invest. Mngt.	8,200	7,900*	3.8	119	107	11.2
Schroder Investment Mngt.	8,000	7,800	2.6	150	146	2.7
County NatWest Invest. Mngt.	6,748	6,473*	4.2	124	116*	6.9
Prudential Portfolio Managers	5,207†	4,143†	25.7	28	22*	27.3
Morgan Grenfell Invest. Mngt.	5,138	5,455*	−5.1	104	115*	−9.6
Henderson Pension Fund Mngt.††	4,605	2,778*	65.8	215	145*	48.3
Baring Invest. Mngt.	3,753	3,527	3.5	101	91	11.0
Lloyds Investment Mngt.	3,188	3,132	1.8	45	36	25.0
N.M. Rothschild Asset Mngt.	3,000	2,980	0.7	84	84	0.0
Kleinwort Grieveson Invest. Mngt.	2,813	3,008	−6.5	130	141	−7.8
MIM	2,350	1,900	23.7	110	98	12.2
Midland Montagu Asset Mngt.	2,113	2,391*	−11.8	18	17*	5.9
Hambros Bank	2,021	1,754	15.2	47	38	23.7
Murray Johnstone Pension Mngt.	1,800	1,700	5.9	55	45	22.2
Hill Samuel Pensions Invest. Mngt.	1,694	1,847	−8.3	44	69	−36.2
Gartmore Investment Mngt.	1,500	760	97.4	76	48	58.3
Cazenove	1,495	1,674	−10.7	62	63	−1.6

Research By Jan Schling, Editorial Research

*1986 data changed by the fund manager; **includes clients in Managed Fund Service; †includes Prudential Staff Pension Fund; ††Pension Funds are divided into 187 segregated and 48 pooled funds. Value £4,535m in segregated and £70m in pooled funds.

PENSION FUND INVESTMENT 3

Fund managers

Finding the right strategy

THE ADVENT of personal pensions in July presents an opportunity which many large corporate pension fund managers do not want to miss.

Many of these groups have not been involved in the established self-employed s226 pension market. But there are two strong incentives to enter the fray – the promise of greater individual pension coverage due to the concerted marketing efforts of the providers and also the threat to traditional company schemes from the freedom of employees to opt out from April 6. There are several routes open to fund managers looking for a bite of the personal pension cake. Some investment managers are simply providing fund linking options for life offices, as they have done with self-employed policies.

Typical examples are Henderson and MIM Britannia, which is leaving its sister company, NEL Britannia Assurance, to offer personal pensions direct but is planning a marketing push on its exempt fund aimed at other providers.

The disadvantage here, though, is that a very high percentage of pension fund contributions are usually invested in the life office's own managed fund and subsequent switches are rare.

Another strategy is to provide the fund management service for a third party, such as the building societies which are now enjoying new freedoms. But the societies themselves have expressed doubts about whether they have the expertise to handle and administer such plans.

A more radical move which has been adopted by many of the large players is to offer their own pension plans but ship out the administration to a third party. This is the route adopted by Fidelity, Gartmore, Murray Johnstone, Mercury Warburg and Touche Remnant. The exception is N.M. Rothschild which has bucked the trend by setting up new systems in-house.

The former five fund management groups are all using the administration service of Marlborough Stirling, a subsidiary of the Moorgate Computer Services. The company charges on the basis of an initial set up fee followed by a volume-based charge.

"Its an easy and risk free way of entering the market because the charge depends entirely on volume," says Sue Sharland, Stirling's marketing executive. A further six companies, including both corporate pension fund managers and building societies are also talking to the service about similar arrangements.

The high front end costs and administrative problems of the new pensions market clearly lend the experienced providers, the life offices, a considerable head start. All of the new pension products – free-standing AVCs, contracted out money purchase schemes (Comps), personal pensions and group personal pension arrangements – are fraught with technical difficulties, particularly the administration of the National Insurance rebate and special 2 per cent incentive.

The high costs and administration problems of the new market clearly gives the experienced providers, the life offices, a considerable head start

Scottish fund managers, Murray Johnstone, plans to launch a Comps and a group additional voluntary contribution facility this month. Bob Burgon, marketing manager, said that the products aimed at employers will be used as a testing ground to assess whether individual plan launches would be viable. The move is a complete change of direction for Murray Johnstone which has no previous experience in the individual sector and does not even provide a fund management link to a self employed plan offered by a life office.

"The administration side is entirely new," says Mr Burgon, "and one of the problems is trying to get a clear understanding of the legislation. But given the number of people not covered by existing pensions and in employment but not covered by company schemes, the potential market will be huge as people become more aware of their lack of provision." The pitfall, however, is that, like personal equity plans, the new pensions business could involve massive numbers of accounts but each one of relatively low value.

The minimum contribution to a personal pension will be just the National Insurance rebates. Thousands of such basic plans are likely to be bought by the younger employee looking to opt out of his company pension schema and so boost his take-home pay. Such business will not be attractive to any provider.

However, Peter Eyre, Rothschild marketing manager, said, "Wa have not set a minimum premium and we don't need a large share of the market to be profitable. It will take some timeto recoup the initial costs but once the scheme is started, it will be easy to run. Our unit trust system was launched two years ago as the basis for personal pensions and we have used the unit trust system to test the computer system using exactly the same charges. We have a modest target – to achieve from pensions what we achieved from our savings scheme." Since its launch, Rothschild's unit trust operation has pulled in 2,500 savers with an average annualised contribution of £1,020. Mr Eyre claims the company has received 3,000 inquiries since the launch of its pension contracts on February 16.

What is is clear is that for any of the fund management groups to be successful in the new market, they must offer some kind of attraction over and above the established household names. Many will undonbtedly try to entice the high earner by making a play on their image of investment expertise.

But whether the greater emphasis on the underlying investment performance will push the public into the arms of providers with a good track record is highly debateable. As Mr Burgon says: "There may be greater quotability of pensions and there may be a move towards not taking out a pension for forever and a day. But if you draw a comparison with endowment policies, you don't see many people opt out of paying up a plan because of performance."

However, fund management groups can certainly push their expertise in developing a suitable structure for the underlying investments. Gartmore, for instance, has formalised an automatic switching facility so that young policyholders can take advantage of a higher than normal equity exposure.

The policyholder can choose one of three standardised risk profiles according to taste and the balance of his investments is then switched every ten years. For the last five years leading up to retirement, withdrawal from the more active funds is staggered at the rate of 20 per cent per year.

The same kind of structure was considered by Fidelity but rejected. Barry Bateman, managing director of Fidelity Investment Services, said: "Automatic switching was in our plans about three months ago but we abandoned it because you cannot know with personal pensions what the exact retirement date will be. What happens if a guy doesn't retire until age 75 and you switched him at 50."

Others, like Rothschild, are concentrating their marketing push on their charging structures. Rothschild's plans carry a single initial charge of 5 per cent with no invidious capital units, followed by a management charge of I per cent p.a. There is no loading for monthly or regular premiums.

While Rothschild's was first into the frame in February, many of the other players show a remarkable lack of urgency about having their personal pension plans ready for the official launch in July. Fidelity, for example, will be geared up for July but does not plan a major marketing push until September

"The summer will be a flat time for personal pensions," Mr Bateman predicts. "The real incentive is to take them out before the year end and most will be taken out by the old s226 policyholders. But in the long term there could be a sea-change – after five or ten years of high fliers negotiating with employers when they change jobs about employer contributions to personal pensions, it may gradually become the norm for companies to offer this to all employees."

Others are sceptical about even the long term potential of the market. Robin Berrill, marketing manager of John Govett, commented, "Wa are are not convinced the market will be that big. The average worker is not going to be a large client and most of the sales will be made on the fact of the supplier being a household name. The man in the street will think of Lloyds Bank, not the likes of Gartmore and Fidelity."

Carl Jones

The new environment

Challenge and opportunity

THE NEW pensions environment brought about by the 1986 Social Security Act came into being a couple of weeks ago. One major effect of the host of changes being made will be to bring back into prominence the money purchase concept for pension provision.

For not only do the new-style personal pensions, which will be available from July 1, operate on a money purchase basis, employers can now set up company money purchase schemes that can be contracted-out of the State Earnings-Related Pension Scheme.

This new environment presents both a challenge and an opportunity to fund managers – the challenge of retaining their share of the final salary pension market, which could shrink in size, and the opportunity to carve out a share in the new company money purchase pension schemes.

The underlying theme of the new pensions environment is to give employees wider choice and the final say in their pension arrangements, with employers no longer able to force employees to belong to the company scheme as a condition of employment.

In these circumstances, there is certain to be keen rivalry and competition between company schemes and personal pensions.

The fund manager of a final salary scheme, as such, has only a limited direct influence in this competition, which will be centred around the benefits provided by each type of scheme.

The benefit of a good investment performance in a final salary scheme goes to the employer and it is he who decides whether to pass on some or all of the surplus to employees in the form of improved benefits, particularly increasing pensions to pensioners to offset the ravages of inflation.

The fund manager needs to maintain a steady, consistent investment performance, that over the long term will exceed the investment return assumed by the scheme actuary in assessing contributions. By this means, there will be a steady surplus to enable benefit improvements to continue.

Failure to maintain a consistently good investment performance in a company scheme could encourage employees to switch to a personal pension, or even make employers themselves think again.

Even if employers maintain their final salary schemes, there is a further incentive for fund managers to keep on their toes in handling the investments.

The number of employees leaving the scheme, or refusing to join, could be considerable.

In consequence, the expansion in the underlying assets of final salary schemes could slow down from the growth seen in the past decade, or even reduce in size.

Fund managers could find themselves competing in a smaller market, a situation which would generate even more pressure for good consistent performance in order to retain existing funds.

On the other side of the coin, there are the prospects offered by the growth of money purchase schemes.

Certain employers, with existing final salary schemes, are following the advice of their actuarial consultants and meeting the competition of personal pensions by expanding their own company arrangements to include a money purchase arrangement.

This can be regarded as the in-house personal pension provided mainly for the younger employees, with facilities for switching into the final salary scheme.

In addition, many smaller employees are taking advantage of the new pensions environment to set up a company scheme for the first time – either on a group personal pension or a company money purchase scheme.

Life company investment managers have been handling money purchase schemes for decades. It is a new market for other fund management groups.

But it could be of sufficient size to encourage fund managers to offer their services to employers and trustees.

However, there is a somewhat different underlying investment strategy involved with money purchase schemes.

The supporters of the money purchase concept lay great emphasis on the freedom and flexibility of such schemes, with each individual having his or her own pension savings that can be taken from job to job.

But as far as investment of money purchase schemes is concerned, the investment manager does not have complete flexibility as with final salary schemes.

In the latter case, since the employer guarantees the fund, a dull investment performance, as seen in 1987, has not affected the benefits paid to employees now retiring. The fund manager does not need to pay attention to the scheme's liabilities, unless it is being run down.

However, with money purchase schemes, liabilities are all important in determining the investment strategy, if the scheme is to fulfil its overall purpose of providing adequate pensions.

Under a money purchase scheme, the contributions are invested until the time of retirement of the employee. Then the accumulated value is used to buy a pension, with part of that value being taken as a tax-free cash sum.

So the ultimate value of the benefits depends directly on the level of contributions, the investment return over the period to the time of retirement, and, above all, on the level of the market at the time of retirement.

The events of last October have highlighted what can happen when an employee, having all his assets in equities, retires at the time of a depressed market. Thus, the concept of Liability Investment is being developed for money purchase schemes.

The underlying theory is simple. The scheme operates on a unitised basis so each employee can identify his or her own pension savings.

Investment is made in equities, property or whatever asset mix the investment manager deems will provide the maximum return throughout the working life of the employee until retirement approaches.

Over the final few years of the employee's working life, the investment returns achieved are consolidated by switching into fixed-interest stocks or even cash, whatever the investment manager's own views are at the time, so that there is no drop in the accumulated value at the time the employee retires.

A sophisticated form of liability investment has been developed by Gartmore for money purchase schemes.

Gartmore offers three managed funds with different risk profiles. The normal medium-risk Life Plan would start off with 80 per cent in equities (65 per cent UK, 25 per cent overseas). When the employee reaches his 50s, this would be changes to 60 per cent equities (45 per cent UK, 15 overseas) and 40 per cent in gilts, and switching completely to gilts in the final period before retirement.

Eric Short

Continued from page 2

Fund management services

bull market, but in 1987 poor investment returns and a large incidence of contribution holidays served to dampen down the figures. In the bottom half of the table the funds under management rose by only 1 per cent during the year.

At the top of the league the trio of Mercury, Phillips & Drew and Robert Fleming are pulling away from the rest. Mercury's ability to look after so many clients is impressive: its average fund is a below-average £27.5m.

In contrast, Prudential, the only insurance company in the list, has an average fund size of £188m (admittedly distorted by the presence of the Pru's own staff fund amongst its client funds).

The middle group of merchant banks, including Schroder, Morgan Grenfell, Baring, Rothschild and Kleinwort, is treading water at best. The same applies to the clearing banks, two of which – Lloyds and Midland Montagu – are only in the table because their asset totals include their own group pension funds (although Lloyds has just won a £190m Gloucestershire County Council fund).

Many of these middle rankers are likely to continue to be under pressure. Several dozen serious small independents are now out there winning accounts, and the trend towards splitting funds and awarding specialised mandates will continue to give them increased scope.

Merchant banks such as Hill Samuel are now hitting back by developing their own specialised services. Even if 1988 proves to be a quiet year, 1989 may not be.

Barry Riley

Individuals on the move

Last October's shadow over this year's flyers

HIGH-PROFILE individualism has never been a hallmark of the fund management industry – not, for example, in the way that it dominates the analysts' business or the corporate finance world.

None the less, with the jobs market mirroring the upheavals in City practices and the rapid growth of certain areas of activity, pension fund management has seen its fair share of changes.

Certainly, at the top level, some well-known names have been on the move. David Prosser, for instance, who was previously in charge of British Coal's giant pension fund portfolio, took up the vacant spot of group investment director at Legal & General in January.

George Dennis, senior investment manager for Post Office and British Telecom pension funds under overall control of Ralph Quartano – the largest single pension fund portfolio in the UK – was another to swop employers. He slotted in as the new managing director of TSB Investment Management.

Mr Dennis's appointment soon appeared extremely timely. In February, TSB Investment Management announced that it was expanding its operations into the corporate pensions arena. The initial step was to offer six tax-exempt, pooled pension funds. The prospect of providing segregated fund management to pension schemes – with each fund managed individually – was then held out as a longer-term objective.

But while the likes of Messers Prosser and Dennis may claim a few headlines, the underlying market for pension fund managers has been a less happy story recently. Fund management may not have felt the extreme demand and supply pressures which sent City salaries soaring pre-Big Bang and then provoked a wave of redundancies in the wake of the October crash, but it has certainly not been immune to the ups and downs of the stockmarket.

In the final two years of the

Pension fund management has seen its fair share of changes

bull market, recruitment consultants estimate that the basic salary offered to a middle-ranking fund manager – someone, say, in their early-30s with around five years investment experience – may have almost doubled. A new recruit, they reckon, could expect a basic figure ranging between £40,000 and £60,000 to be mooted at any interview.

The events of last October have definitely dented this trend. The shift to greater cash weightings and the general air of edgy caution which precludes much initiative on the shares front, appears to have hit equity specialists particularly hard.

The consequences did not take long to surface. GT, for example, made a well-publicised decision to take voluntary salary cuts ranging between 5 and 15 per cent in November – a move which probably bought a fair measure of goodwill from clients. It should be said that the cuts came after some substantial salary increases in the previous spring and that bonuses in the first half of the year had also been at record levels. Nevertheless, it was the most highly paid who bore the brunt of the reduction. Basic salaries were cut by 15 per cent for directors, and by 10-5 per cent for senior employees beneath board level. Employees earning less than £15,000 were spared any reduction.

Elsewhere, there is plenty of anecdotal evidence of small-scale redundancies on the pension fund management side, though largely at the junior level, in the wake of market's dive. "There are some fund managers who are looking," comment recruitment consultants, Badenoch & Clark, "Moreover, they are not getting as many interviews as before."

The picture, the consultants add, may be somewhat happier for "fixed interest" specialists, although this market is muddied somewhat by surplus bond salesmen attempting to muscle in – without notable success.

In general, few consultants expect the depressant effect of current stockmarket levels to impinge seriously at the head-hunted level – but even here, in the words of one consultant, "The uncertainties don't help."

The other trend much in evidence – though also arguably less relevant now – is the inclusion of top-line fund managers in

There is plenty of anecdotal evidence of small scale redundancies

executive option schemes. This form of remuneration obviously has benefit of tying key staff to the management group, and curtailing competitors' freedom to poach.

The prime example, perhaps, is Mercury Asset Management, the largest of Britain's external pension fund management groups and handling funds of around £15bn. One quarter of MAM was floated off from parent company, Mercury International Group (now mercifully reverting to its Warburg tag) in March 1987, and shares offered to MIG shareholders and employees at what many analysts saw as an extremely reasonable 225p a piece.

Employees applied for over 1m shares during the float, and had the gratifying experience of seeing the price going to an initial 52 per cent premium. On top of that, certain executives received options over 4.74m shares, with the subscription price the same (placing) level. Exercise dates were set between 1990 and 1997. True, MAM shares (like the rest of the sector) suffered in the crash, but they are still trading at the 380p level. With three years to go, the potential profit on those options is likely to be a strong deterrent to swift job-changing.

MAM, of course, is not the only fund management group to grasp the advantages of tying in key staff through this type of scheme. For example, Touche Remnant – which is currently owned by the TR investment trusts – has said publicly that it hopes to head for the stock market within four years. That will neatly coincide with management options which come up for exercise from 1990 onwards.

Admittedly, option schemes look somewhat less attractive in the wake of the Budget changes on capital gains tax and – for existing option holders – the stockmarket's dive. Nevertheless, they may well add to the current trend provoked by the general City climate. In short, it seems that fewer individuals will be on the move.

Nikki Tait

UK equity markets

Fund managers remain reasonably relaxed

THE CULT of the equity is not dead. But the sacrifices that some fund managers had to make last October will have caused some of the less fervent believers in equities to veer further towards agnosticism.

The sums are obvious enough – with hindsight. Over 1987 as a whole, fund managers would have been wise to move into gilts and property. But it would have taken the wisdom of Solomon and the courage of Mike Tyson to maintain that position whilst equities were roaring ahead in the first three quarters of the year.

Few managers, in the face of three-month performance tables, have such qualities. Pension funds made net investment in UK equities of a modest £515m in the first quarter, a massive £3.43bn in the second and a further £2.49bn in the third.

Then came the crash. But although UK equity markets suffered more or less in line with the rest of the world, fund managers could afford to be reasonably relaxed about their heavy weighting in UK equities over the year as a whole. The return on UK equities in 1987 was around 7 per cent, well below the the rates in preceding years, but by historical standards, a respectable return.

The real villains of the piece were overseas equity markets – according to WM, the performance management group, sterling-based investors earned a *negative* return of 18 per cent on overseas shares last year.

Since it was overseas equities which fund managers sold first in the wake of the crash, UK equity markets were actually net recipients of funds in the fourth quarter as managers repatriated their portfolios. DTI figures show that public and private pension funds were net investors in UK equities in the last three months of 1987, to the tune of £2.03bn.

The fourth quarter inflow, which was also partly due to commitments like the underwriting of the BP issue, meant that for 1987 as a whole UK equities were the destination of 85 per cent of all pension fund investments. In fact, the total invested in UK corporate securities last year (£8.46bn) was more than double that of 1986.

Will the crash lead to a reappraisal of that kind of allocation? There have been many theories over the years about the ideal portfolio structure for a pension fund. Frequently, they have revolved around the matching of a fund's assets to its liabilities.

The ideal tends to involve a greater proportion of more gilts – often the index-linked variety – than has recently been in favour. Index-linked securities offer a hedge against the growth in earnings of the scheme's eventual beneficiaries. But fund managers have been resistant to such academic models for two main reasons.

The first has already been mentioned. Equities have provided such good capital growth over the past few years that any fund manager who opted for a gilt or property based portfolio would have lagged behind their peers in the performance tables. Trustees would simply have taken their funds elsewhere.

The second reason is that, leaving aside the question of capital growth, dividend income has often offered comparable returns to other assets. Equity yields may have lagged behind gilts but dividend growth has been strong. In each of the years 1982-7, the buoyancy of the corporate sector meant that dividend growth outstripped both retail price inflation and earnings – indeed in 1987 dividend growth was 11.4 per cent.

Dividend growth is extremely important since fund managers tend to use income streams – whether in the form of interest income, dividends or scheme contributions – to pay beneficiaries. Actuaries tend to pay close attention to dividend income when valuing a fund.

Capital gains and losses are of course important to the long term health of the fund and to the short term health of the fund manager. But on the whole the proceeds from the sale of investments are used for reinvestment rather than for the payment of beneficiaries. Funds can ride out fluctuations in the stock market, provided they are short term.

For all these reasons, funds will continue to be substantial equity investors. The proportion of portfolios invested in the UK market may drop back from the 60 per cent or so it reached at the end of 1987 but it is unlikely to fall back, at least in the short term, to the 44 per cent it represented in 1979.

Instead it seems likely that the proportion of overseas equities will drift lower. Many fund managers disinvested from overseas markets at the end of last year – and given the problems they experienced, they are likely to be cautious about venturing overseas again. After all, they can argue that they can get exposure to overseas economies by investing in those UK companies which earn a large percentage of their profits abroad.

However, fund managers may shift their preferences within the UK equity markets. For some years, the returns on small company investment had been very impressive and quite a few managers ventured into the Unlisted Securities Market in the hope of finding the next Body Shop or Blue Arrow.

But the crash exposed the illiquidity of the markets in many of the small company stocks. Many managers are still left with holdings which they have been unable to sell. Any pick-up in the share price of such stocks will be limited as such unwilling holders take the opportunity to offload their stakes.

The result in the medium term will be a "flight to quality" as managers turn to the more easily tradeable shares. However, in the long term, as memories of Black Monday fade, the whole cycle of diversification into overseas and small company stocks may begin again.

Philip Coggan

David Prosser: from British Coal to Legal & General

■ In the wake of last October's crash on global stock markets, there are signs that 1988 will see pension funds rebuilding their overseas equity content to around 20 per cent of total assets. Foreign weighting was cut to around 14 per cent at the end of last year. Above: Brokers at work at Bankers Trust offices in New York.

The Tokyo Stock Exchange: British pension fund managers may further reduce Japanese share holdings in order to fuel the asset proportions in US equities.

Confidence jolted in foreign equities

UK trustees remain wary of overseas stocks

THE FLIGHT of UK pension funds out of overseas equities in the wake of last October's crash in global stock markets appears to have been stemmed, and there are signs that some managers are now buying foreign stocks again.

However, confidence was badly jolted in the final quarter of last year, when the UK funds sold £2.47bn of foreign stocks, and trustees remain wary of the currency risk factor.

No comprehensive statistics are yet available on pension funds' overseas operations in the current year, but estimates from inside the industry suggest that 1988 will see funds rebuilding their overseas equity content to around 20 per cent of total assets.

This implies a return to the portfolio weightings at end-1986, and a significant recovery from the end of last year when foreign weighting was cut to 14 per cent, according to the WM Company, a member of Bankers Trust of New York, and the major provider of British fund performance statistics.

The relaxation of UK exchange controls in 1979 opened the way for a significant move into foreign equity markets by the UK funds. The move accelerated until 1984 when, significantly, it was checked, albeit briefly, by the currency factors which have now established themselves as the *bete noire* of the fund manager looking for profits outside the UK.

Managers admit that "we look at the currency risk first" when assessing prospective foreign investments, and the October Crash has done nothing to change that approach.

What may have changed is the attitude of some fund trustees, who are now more aware of the relative currency risks overseas as the Group of Seven Ministers continue to develop their dollar support policies.

Fund managers admit that "we look at the currency risk first" when assessing prospective foreign investments

Consequently, any return of UK pension fund investment to overseas markets hangs upon views taken on global currencies, or, more precisely, on the outlook for the US dollar. The overall shakeout in the final quarter of last year fell most heavily on the US equity holdings of the British pension funds, which fell from an average of 34 per cent of total assets to 31 per cent over the quarter.

The proportion held in Continental European shares remained fairly steady at around 19 per cent. There was also a net dispersal of Japanese equities, which had represented about 18 per cent of assets.

Statistics prepared by Warburg Securities, a leading UK investment house, and showing the overall operations of the broad range of UK institutions including pension funds, suggest that managers are shifting portfolio priorities.

Selling of US equities seems to have continued in the first quarter of this year, albeit at a slower rate. However, US holdings could rebound during the rest of this year as managers remain bearish on the dollar. To fuel the increase in asset proportions in US equities, British funds may further reduce Japanese and European share holdings.

Any change in fund holdings of Japanese equities would, presumably, depend on the course of the US dollar. With Japan almost the only bright spot in the generally poor returns for the funds on their overseas holdings in 1987, managers might take the opportunity to sell into a firm market if the Japanese currency moves against them.

But the question mark over Continental European shareholdings may involve wider perceptions of market features. The early months of this year have seen strong speculative share gains, in particular on the Paris Bourse. Some UK fund managers are none too happy about these trends and still believe that some Continental bourses, not necessarily Paris alone, remain vulnerable to distortion from speculative factors.

The new concentration on risk factors induced by the Crash of October '87 continues to restrain pension fund investment in Far Eastern markets other than Japan. Only about 4 per cent of the average UK fund is invested in these markets and even this meagre proportion could be reduced over the next 12 months, according to Warburg. The nervousness of fund managers, and more significantly, of fund trustees, was fostered by the brief closure of the Hong Kong markets following the October crash, which was a shock for trustees who have to consider their legal liability if funds become at risk.

Overall, however, the pension fund industry seems to have recovered its nerve quite quickly after the alarums and excursions suffered in the final quarter of 1987. Indeed, the major lesson of the Crash was that markets are now global whether investors want to accept this or not. No pension fund manager can expect to avoid trouble by staying at home. Nor can he expect to outperform his peers that way either.

Terry Byland

Fixed interest securities

High-risk reminders restore a balance

CONVENTIONAL WISDOM suggests bonds should have only a limited role in the portfolios of pension funds. Since most pension fund liabilities are linked to final salaries, then the funds must keep pace with average earnings. Shares, the value of which should grow along with the economy, are thus typically regarded as a more natural investment than fixed interest securities.

The rapid inflation of the 1970s and the great bull market in shares of the early-1980s only reinforced that view among UK pension funds. With stock markets substantially outperforming bonds, the funds systematically reduced the proportion of their portfolios held in fixed-interest securities.

Mr Stephen Lewis, who follows the gilt-edged market for stockbroker Phillips and Drew, says that in the third quarter of 1987, holdings of gilts by pension funds slipped to around 11 per cent of their portfolios. This compares to more than 20 per cent in the early-1980s.

The broker estimates that, at the end of the year, holdings of UK gilts were around 14.9 per cent of their portfolios – up from their third quarter lows but well down on the 21.4 per cent they held as recently as 1980. Holdings of UK equities were estimated at 51.6 per cent compared with 44 per cent in 1980.

The fourth-quarter rise in gilt holdings was largely due to the stock market crash of October. "The crash brought home the high-risk characteristics of equity investment," said Mr Lewis. "Many had forgotten the old nostrum that equity investment is risk investment."

As holdings of bonds started to climb in the fourth quarter, pension funds showed particular interest in index-linked gilts after a period in which demand had been very slack.

Theoretically, index-linked bonds should not have the drawbacks for pension fund managers of conventional gilts, because returns are guaranteed to keep in line with inflation. Yet they have performed badly in recent years, because of the unprecedented level of real, or inflation-adjusted, interest rates. The bonds pay fixed margins over the retail price index, but through much of the 1980s these margins have not compensated investors for the actual level of real interest rates.

The change in attitudes toward this type of bond since the crash has also influenced the Bank of England's issuing policy. From May to end-October 1987, the Bank of England launched 11 tap or taplet issues, none of which were of index-linked stock. Of the 15 issues announced between October and early April, six were index linked. Although issuance

Holdings of bonds started to climb in the fourth quarter

totalled only £450m, it is likely that the modest appetite for this type of paper among fund managers will continue for some time, even if it is unlikely to grow by much.

If pension fund managers are more inclined to be sympathetic towards bonds these days, there are a number of other factors which could influence the shape of their portfolios.

Traditionally, because returns are low, gilt portfolios are very actively managed in order to exploit yield anomalies and improve performance. Yet, such strategies have aroused the interest of the tax authorities in the UK.

The Inland Revenue's special office in Sheffield is examining these practices, and whether it is appropriate to deem holdings of gilts for such short periods as trading – and as such subject to tax – or investments, which would be excluded from tax.

No ruling is expected soon, and until it is forthcoming, the uncertainty seems likely to inhibit investment in gilts. "Switching in the gilt market is something that a pension fund manager is less likely to do now than a few years ago," says Mr Lewis.

Another factor influencing fund managers will be the decreasing supply of gilts. A slower stream of new gilt issues, as suggested by the budget surpluses forecast by the Chancellor, is expected to push fund managers to pastures new.

Many are likely to have to consider, not only domestic corporate bonds, but also Eurosterling bonds. Of course, fund managers will have to learn their way around different settlement and issuing procedures. The relative lack of liquidity in the Eurosterling market, and its small size, must also be a worry.

"It's probable that the Eurosterling market will fill the gap left by the shortfall of supply in the gilt market," says Mr Richard Segal of Salomon Brothers. The Eurosterling market has in the past, he says, been supply-led, rather than demand driven but there is the prospect now for increased issuance.

Given the limited size of the Eurosterling market, more fund managers might be tempted to buy foreign bonds and hedge against the possibility of foreign exchange losses using a currency swap.

This would have an advantage over the Eurosterling market in that it would allow the funds to buy government debt, and to participate in a more liquid market. Of course, there would be new risks: there is exposure to the swap counterparty for instance and the use of swaps makes it more complicated to unwind the transaction.

There is also perhaps less of an intellectual argument to support diversification into bonds denominated in other currencies. Stock market investors, for example, can always argue that they need to invest overseas to achieve a particular weighting in an industry sector not well represented at home.

What is more, the trustees of many funds – particularly the trades union representatives on funds self-administered by companies – do not approve of investment in overseas markets. To them it looks like currency speculation.

Stephen Fidler,
Euromarkets Correspondent

Central London, for so long a favourite for property investment; now there is a growing interest in outside locations

Property

A switch in investment fashion

PENSION FUND interest in property investment has revived and not just because of the October equities crash. Over the next few months, new investment vehicles to satisfy that interest should become available.

This is not to suggest that there will be an avalanche of funds toppled into the market. But the figures tentatively, and the anecdotal evidence more strongly, point to a switch in investment fashion. Property for so long seen as a dowdy, unfashionable defensive investment has become the new vogue.

The reasons are not too far to seek. As Debenham Tewson and Chinnocks, chartered surveyors put it in a recent analysis of institutional investment trends: "Fund managers have been attracted to property by the very significant improvement in the performance of virtually all property sectors.

"This appears to be the motivating force behind the upward trend in property investment so far recorded by the official figures (which go only until December 1987), rather than any flight from the stock market after last October's crash."

Going on from that into this year, Fletcher King, chartered surveyors, commented: "Asset property weighting has been under review following the year-end performance figures, and many insurance companies and pension funds have decided on an increase in weighting to property.

"A survey of the top 20 portfolio managers revealed a virtual doubling of asset allocation to property from October 1987 to February 1988."

Statistics from the Department of Trade and Industry show that in the third and final quarters of last year, pension fund purchases of property were higher than the value of their sales. In the first half of the year, by contrast, the value of sales outweighed purchases.

Net pension fund investment in property last year was £148m compared with £386m in 1986, £508m in 1985 and £906m in 1984. Although the annual level of investment was lower than in previous years, the sell-off which was particularly marked in the first half of 1987 appeared to have been arrested by the end of the year. Further the pick-up in property investment had started before the October market crash.

On average, private sector pension funds probably hold slightly less than 10 per cent of their total investments in property, a lower proportion than insurance companies. Inquiries, for properties to purchase, being placed at agents indicate that this proportion may rise during 1988.

Underlying this move is the fact that total returns from property have risen strongly. The Investment Property Databank, whose results are based on monitoring the performance of around £15bn worth of institutional property, provisionally noted the reversal last year of the trend of returns below 10 per cent which had prevailed from 1982.

"Commercial property investments saw total returns of 22.9 per cent in 1987, the best performance of the 1980s and comfortably exceeding those on equities and gilts." There was, said the

Fund managers have been attracted by the significant improvement in performance

IPD, outstanding growth in capital values and rents for offices, industrial and retail property, with yields increased slightly.

The IPD figures are not out of line with other indices. The Jones Lang Wootton index recorded total returns for 1987 of 18.3 per cent. The Richard Ellis monthly index put total returns from property for the 12 months to the end of February at 23.1 per cent; capital growth had been 15.2 per cent and rental growth 17.9 per cent, it said.

Property unit trusts, a vehicle for the pension funds to benefit from tax-exempt status, whose performance has been notoriously sluggish, also showed a marked pick-up in the second half of the year. The Phillips & Drew Property Fund Index recorded by the end of the year a total return of 17 per cent compared with 4 per cent in 1986.

The performance of the property unit trusts, though, posed a conundrum for the pension funds – whether they should stay in with the property market rising or get out and take high prices being offered for the portfolios. The sale of the Fleming property unit trust to Scottish Provident Institution for £204m and the Pension Fund Property Unit Trust to Mountleigh for £271m, both in September coincided, Phillips and Drew noted, "with a resurgence in popularity of property unit trusts."

Pension funds with cash from these sales seem promptly to have reinvested some of it with trusts like Lazard and Lilliput. But the difficulty remains for the pension funds that if they want to switch their investments out of the trusts there is nothing more than an informal matched bargains market in which to do it.

On the other hand, the advantage of the trusts to the pension funds, leaving aside the tax benefits, is that that they offer the opportunity to invest relatively small amounts in diversified portfolios. Only a few funds want, or are capable, of investing in expensive central London properties, and until recently this, of course, has been the favoured area.

More diverse property investment opportunities should emerge with the establishment of a market to trade property income certificates, units in single property trusts and shares and debt instruments attached to single asset property companies.

All of these, however, will be offering investments in single buildings or groups of buildings like shopping centres. They will not spread the risks like a property unit trusts. Nonetheless they provide a partial answer to the problem of the lack of liquidity in direct property investment.

These investment vehicles are now and have been for months the subject of talks to devise a regulatory and tax framework for their trading. But tha hurdles should be cleared this year, after which it remains to be seen whether any buildings will be offered to the market.

It is difficult to know to what extent the pension funds will be attracted to the new market. But it seems likely that they will be cautious in their approach and continue, initially at least, to favour direct buying. And there they will find a rising market in the nation at large but more wary estimates of income growth in the high-priced City of London.

Paul Cheeseright
Property Correspondent

PENSION FUND INVESTMENT 7

Trends in fund splitting and management strategy

The pattern is changing

ONE, TWO or a dozen? How many external managers should a large pension fund choose? Once, many funds appeared content with one big balanced manager, but now the pattern is changing significantly.

According to consulting actuaries R. Watson some 49 per cent of the biggest hundred UK pension funds are already operated under some form of split management. But these days a more sophisticated approach is often being taken to the potential (and pitfalls) of the multi-manager solution.

The last manifestations of the old style probably came in 1986, when two of the biggest pension funds revamped their management arrangements. British Rail re-allocated some £5.5bn amongst six balanced managers, and a few months later Unilever externalised its fund management, by choosing four balanced managers to look after £2.1bn.

The arguments for splitting funds in this way include the perceived desirability of limiting the amount placed with any one manager, and the injection of a degree of competition as the different managers strive to outperform.

It is also sometimes suggested that managers with different styles will add extra diversification and therefore will facilitate a reduction of risk. Some may be established City of London merchant banks, but others could be independent managers with more individualistic approaches.

The approach may perhaps add variety, but one disadvantage is that it definitely adds costs. External managers charge on a sliding scale, and so, say, five managers will demand much more for managing £20m each than they would individually for the total £100m. But for funds aggregating over £1bn, the difference may not be very important, and so the growth in the size of funds over the past few years has made splitting a more economical proposition.

There are other problems. There could be wasteful shuffling of investments as one manager happens to buy the stocks another has been selling. Furthermore, a sizeable team of managers will be more difficult to control and supervise (though in some circumstances trustees may welcome this as giving them more power and responsibility).

In the US, fund splitting has gone down a rather different route, involving specialist rather than balanced managers. This system involves removing the basic asset allocation decisions from individual management firms and concentrating them centrally — perhaps by hiring an ultra-specialist manager responsible only for the top down decisions.

The theory is that under this system the different managers are not competing rather expensively to do essentially the same thing but are co-ordinated within a controlled framework. Moreover a "horses for courses" philosophy ought to allow a pension scheme to tap specialist skills amongst the fund management fraternity.

But to be successful, a fund split along specialist lines needs to be operating within the right environment. First of all, it must have access to asset allocation expertise. Secondly, it needs to be able to choose from a pool of proven specialist managers. Thirdly, it must be able to find custodians capable of handling and reporting on the transactions generated by such a complex set-up. Finally, it also needs to be ready to pay the relatively high costs which are likely to be involved.

Gradually these building blocks are being put into place in the UK. The US-based pension consultancy Frank Russell International has been a pioneer in transferring its expertise in specialist management across the Atlantic. American banks like State Street and Chase Manhattan are setting up master trust custodian services.

And although the specialist investment boutiques with definable styles are hard to find in the UK, many of the big traditional UK managers are now willing to take on specialist mandates, albeit usually without much enthusiasm.

The attitude of Robert Fleming, the third largest UK pension fund management group, may be typical. "We have realised there is a growing need out there," says Peter Seabrook, head of UK investment at Fleming. "But we haven't gone out marketing the idea".

The chief pioneers of this specialist approach have, not surprisingly, been the UK subsidiaries of US-based multinationals such as Ford, Rank Xerox and IBM which are familiar with the specialist arrangements back home.

However, one major British group which has wholeheartedly embraced the concept is Rolls-Royce, which two years ago split a £900m fund between more than a dozen specialist managers. These include managers for UK equities, for several foreign national and regional equity markets, for bonds and for property.

Robert Fleming is one of Rolls-Royce's UK equity managers, and Fleming has five such accounts in all. It also runs specialist portfolios for the Far East, Japan and the US, and although it regards itself as an active manager it will even offer index matching techniques through Save & Prosper, which it has just absorbed.

So the traditional managers are responding, although specialisation has serious drawbacks for them. For instance, money can be taken away because of a top down decision, even though the manager may have done a good job in achieving his specialist objective. What happens to specialist managers when their specialisation is out of fashion?

This drawback underlines that it may be difficult to provide a broad career structure for investment managers if they are crammed into sectoral straitjackets. Many managers regard asset allocation as the most important decision, and although it may be possible to give specialists some limited strategic role, for instance by retaining the right to go liquid to a certain degree, this inevitably risks a clash with the basic objectives of fund splitting by specialisation.

In extreme cases there are complaints that managers are hired and fired for rather fanciful reasons. For instance, managers can even outperform themselves out of a job because consultants might conclude that a particularly successful management style has had its day and it is time to switch into some other style which is about to come right.

A case in point might be specialist small company managers who tend to have their ups and downs. Last year small company stocks performed brilliantly in the UK but were very poor performers in the US.

There is no very strong evidence that splitting of funds actually improves performance, but this may not be the only objective. Trustees may also find merit in arrangements which give them greater control over the management of assets, because it is much easier to replace one external manager out of ten than to sack a single manager, possibly of many years' standing. And at least splitting the fund will reduce the possibility that a single external investment manager will make serious mistakes.

The main problem will be to make sure that any benefits from splitting are not swallowed up by a general escalation of costs and *increased demands on management time.*

Barry Riley

Asset allocation

Traditional methods face a strong challenge

THE TRADITIONAL willingness of a UK pension fund to let its active professional fund managers decide on how to allocate the fund's money between different classes of asset, equities and bonds, the UK and overseas, has come under strong challenge over the last year.

The approach of those managers used to be to shift money into asset classes they considered undervalued, constrained by vague notions about the proper balance of risk to be struck between the different classes. Often this meant little more than moving only gradually away from the portfolio's traditional mix of assets.

The fundamental revision of thinking about asset allocation has been the result of three underlying developments. First, the range of asset classes open to a pension fund has steadily widened. In the immediate post-war years, most, if not almost all, a pension fund's assets were likely to be tied up in fixed-interest Government gilt-edged securities and other blue-chip corporate bonds.

The 1950s and 1960s saw the growth of the cult of the equity, in most cases exclusively UK-listed equity, and of investment in real estate. The high inflation of the 1970s further diminished the attractions of conventional bonds and led to the introduction of index-linked gilts in 1981.

At the same time, the removal of UK exchange controls in 1979 led to an upsurge of overseas investment by UK pension funds so that the proportion of assets held in overseas securities has risen from about 8 to 20 per cent over the last decade. The widening choice has made the traditional rules of thumb appear increasingly flimsy and inadequate.

To tackle this particular weakness, specialist pension fund management boutiques and consultancy firms have developed to advise trustees specifically on asset allocation decisions with a view to limiting the discretion of their funds' regular investment managers. One such firm is the which has focused on this niche in the UK market is Advice on Investment Strategy, a small privately-owned co-operative based in Scotland.

However, recent years have also seen growing scepticism whether anyone should be attempting to allocate assets on the basis of their opinions of the relative valuations of different categories.

This is linked with the growing belief amongst both actuaries and financial commentators in the efficiency of stock markets which has been backed up by the accumulating evidence that professional fund managers are unable to achieve higher returns over the long term by making active investment decisions.

There is a growing ability today to analyse the riskiness of different assets in line with the development of modern portfolio theory.

Some of the fund management performance measurement services in both the US and UK produced results in the mid-1980s which suggested that even if fund managers were unable to beat a stock market index by superior stock selection within a particular market, they might still be able to add value by their asset allocation decisions.

However, the performance of the UK pension fund managers over the last year has weakened that particular justification. Most fund managers allowed the proportion of their portfolios in equities to increase substantially, for many to all-time records, in advance of the October crash. Most also reduced drastically their weighting in Japan in advance of the crash although Japan has proved to be the most stable of stock markets.

The third and related factor behind the shift of opinion towards asset allocation has been a growing ability to analyse the riskiness of different assets in line with the development of modern portfolio theory.

As a result several actuaries and fund managers with a more quantitative bent have attempted to develop and market a new method of founding asset allocation decisions not on the basis of relative valuations but on the liability structure of the particular pension fund.

The classic approach to this issue, as explained by Mr Alan Baker, of Frank Russell International, a pension fund consultancy firm, at the National Association of Pension Funds conference in February, is to apply the risk analysis of modern portfolio theory based on the historic volatilities of different asset classes and to build from that a range of optimal portfolios.

These are portfolios of different asset mixes which, for any given level of risk, maximise the expected returns (on the basis that all asset markets are efficiently priced) or, for a given level of expected returns, minimise the risk.

Pension fund clients are then asked to specify the level of risk with which they are comfortable, and using this specification a single optimal portfolio of asset allocations is selected.

As trustees and sponsoring companies often find it difficult to define their risk tolerance, they may be asked instead to specify by how much they are prepared to see their company's pension fund contribution rate, as a proportion of payroll, go up. This may be necessary to meet future liabilities when a deficit in the fund has been created because of deteriorating asset prices and investment returns.

Frank Russell, in conjunction with Professor Bill Sharpe, has developed a method for determining the optimal portfolios which does not rely exclusively on historic volatilities but takes into account changes in capital markets and asset classes. For example, it assumed that the introduction of index-linked stock raised the expected real rate of return from conventional gilts.

R. Watson and Sons, a leading firm of consulting actuaries, has taken this process one stage further by building a method of risk and expected return based on a more complex model of future economic conditions. The model does not seek to spot undervalued assets, i.e. where an anomaly exists between risk and expected return, but is more forward-looking than other models in seeking to determine the risk-return trade-off for each asset class.

A more original approach was developed by Mr Paul Woolley, formerly of Baring Investment Management, to set up GMO Woolley as the UK arm of the Boston fund management boutique, Grantham, Mayo, Van Otterloo.

In contrast to other firms, he has focused on matching the "duration" profile of a pension fund's asset portfolio with the duration profile of its liabilities. Duration is, loosely, a measure of how soon an asset will yield its payback in terms of dividends, interest payments or rents and how soon a pension fund will have to meet its liabilities in terms of payments to pensioners. (In more formal terms, duration is the weighted average time of discounted cash flows.)

On the basis that the duration of pension liabilities to current employees is about 20 years and the duration of liabilities to retired fund members typically six to eight years, Mr Woolley's analysis leads to a simple rule-of-thumb.

Liabilities to retired members should be matched by medium and long-dated gilts (which typically have a duration of five toeight years) and liabilities to current employees should be matched by equities which have a duration, he believes, of 16 to 25 years.

Some elements of Mr Woolley's analysis are controversial, especially with the conservative actuarial profession. In particular, the duration of equities is questionable as it does not adequately account for the riskiness of the cash flows as compared, for example, with index-linked gilts. The dividend model also does not take into account the extent to which companies can "roll-up" their internal cash flows indefinitely.

But his analysis has drawn attention to an important gap in the analysis based on modern portfolio theory, that is the need to a take into account not only the volatility of asset prices but also the timing of cash flows on both sides of the pension fund balance sheet.

Clive Wolman

London markets

Institutions in strong bargaining position

A changing balance of power in the City; the Stock Exchange (above)

INSTITUTIONAL investors in the UK stock market have never had it so good – and they could probably have it even better if they flexed their muscles more.

The influx of banks and foreign financial institutions into the London securities market in the run-up to the Big Bang reforms of October 1986 created an unprecedented increase in the supply of stockbroking and market-making services to the institutions.

But only a year later, the stock market crash led to a shrinking of UK equity turnover which had grown to unprecedentedly high levels over the previous five years. The result is now chronic over-capacity in the securities industry, which has inevitably placed the customers in a strong bargaining position.

In fact pension funds have been reluctant to exploit the securities firms' lack of business by pushing for further cuts in commission rates.

The amount of dealing directly with market-makers, avoiding any commission payments, so-called "net-dealing," has stabilised at between 25 and 30 per cent in terms of value of all transactions after reaching figures of greater than 40 per cent in the immediate aftermath of Big Bang. For pension funds, the proportion of net dealing is about 35 per cent in terms of value, which is concentrated on the largest deals.

The going rate of 0.2 per cent commission on agency deals, which was established shortly before the Big Bang abolition of minimum commission scales, has held up remarkably firmly in contrast to the successive bouts of rate-cutting on Wall Street after May 1975. Pre-Big Bang, the average rate of commission paid by pension funds for UK equities was about 0.35 per cent – and that was on all transactions, as dealing directly with the jobbers was prohibited.

On large deals of over £500,000 a lower rate is often paid. At the same time, the smaller pension funds which typically deal in sizes of around £50,000 are paying 0.25 to 0.3 per cent commission.

Even some of the larger funds have been willing to pay higher rates if they rely heavily or exclusively on stockbrokers' research rather than on their own analysts. The Royal Insurance company for example pays the standard 0.2 per on all its purchases.

But if it finds a particular recommendation valuable, it will reward the broker with a higher rate of commission on a subsequent deal or when the original deal is unwound. Its aim is to encourage brokers to place it high on their list of telephone calls when they come up with bright ideas.

At the other end of the spectrum is the Prudential Portfolio Managers, the largest investment management firm in the UK with an extensive team of in-house analysts. It has cut back on the number of brokers to whom it is prepared to pay commission. It also carries out many deals on a net basis or pays commission at below the 0.2 per cent rate.

The reason that other firms have not followed the aggressive stance of the Prudential is that, despite the general over-capacity in the industry, the stockbroking analysts with consistent records of spotting under-valued shares are still rare and highly sought after. Fund managers believe it is worth paying the going commission rates even if they benefit from a recommendation only occasionally.

Pension funds have been reluctant to exploit the securities firms' lack of business by pushing for further commission rate cuts

Another development in the London market since Big Bang has been the emergence of "soft commission" firms, based on the Wall Street model. These firms charge the standard rates of commission to institutional investors but provide no research or recommendations themselves.

Instead they provide the investment management firm with other products and services which otherwise they would have to buy directly, for example Reuters screens, Datastream share price information and WM Company portfolio valuations. In practice, the investment management firm buys the service directly and sends the bills to the soft commission firm.

The reason for the development of this convoluted arrangement is that, whereas Reuters screens and the other services, if bought directly, would have to be paid for by the investment management firm, commission payments are extracted from the coffers of the pension fund client.

In effect, the client is paying for investment management services twice over, once in the annual management fee and once by the commissions. Even proprietary life assurance companies prefer indirect payments as the commissions are taken out of the policyholder or pension funds whereas direct payments for services come out of shareholders' funds.

The purest solution to the problem would be to ban all these indirect payments, including commission payments for stockbrokers' research ideas and recommendations and to insist that pension fund managers carry out all deals on a net basis except when the assistance of an agency broker is needed to transact a complex deal. Stockbroking research, as well as Reuters screens, would then be paid for directly by the investment management firm in the form of a fee – or retainer.

But the rules drawn up by the self-regulating organisations under the new investor protection regime provide only token protection against soft commission-type abuses. Thus the onus is on pension fund trustees to scrutinise the practices of fund management firms which appear to charge low annual fees when in fact they are subjecting their clients to a variety of covert charges.

In one respect, the Big Bang reforms have meant not only reduced dealing costs for pension funds but also more opportunities to boost income. This is through stock lending. The big increase in the number of equity and gilt-edged market-makers in London has meant that an upsurge in the volume of short-sales when the market-maker sells stock that he does not own. He then delivers to the buyer share certificates which he has borrowed via an intermediary from an institutional investor for a small fee.

The most popular stock lenders are the larger pension funds and life insurance funds with substantial core holdings of shares and gilts which are rarely traded.

The settlemants backlog last year also increased the demand for stock lending. Market-makers often delivered borrowed stock as a way of short-circuiting a chain of unsettled bargains.

Undoubtedly as pension fund cross-border investments around the world increase and some of the administrative obstacles are overcome, international stock lending will be one of the major growth areas of the next few years.

Clive Wolman

Pooled funds

A revival beckons

POOLED FUNDS as an investment vehicle for pension scheme assets have been around for many years.

Originally, it was the investment houses specialising in unit trusts that set up exempt unit trusts, in a similar manner to authorised unit trusts, in order to expand their equity investment management expertise into the then growing pension field.

Indeed, this sets out how a pooled investment fund operates in a manner very much akin to unit trust. The pension fund invests its contributions by purchasing units in the fund and realising assets by selling units.

The investment house manages the fund on a full discretionary basis.

The growth in pooled funds took off well over a decade ago when life companies entered this field offering not only equity, property, fixed–interest and cash funds, but managed funds where as the name implies the life company itself would decide on the mix of asset sectors as well as the individual assets.

Pooled funds started to decline in importance in recent years as pension fund trustees wanted their own segregated funds with identifyable assets and control over investment policy instead of units in one or more pooled funds.

However, the new pensions environment with its encouragement of company money purchase schemes, group personal pensions and industry wide schemes could well lead to a revival in exempt pooled funds.

Under a money purchase arrangement, each employee needs to have his or her share of the fund readily indentifiable. The easiest means of achieving this from an administration viewpoint is by unitising the fund and employees being allocated units.

This unitisation is even being applied to straightforward with–profit funds from life companies. The unitised with–profit system, which declares a bonus interest or a bonus rise in unit price, is replacing the traditional reversionary bonus system mainly for adminstration reasons.

Only the very large money purchase funds could operate on a segregated basis. So the return in popularity of pooled funds can be expected, with the emphasis on managed funds.

So what has been the performance from life companies and other investment houses in handling managed funds?

Performance is crucial for a money purchase scheme. The employee's pension at the end of the day depends on how successful the investment manager has been in building up the fund.

Fortunately this sector of the investment market is readily monitored, since checking out the movement in the unit price provides a time–weighted rate of return - a measure that is suitable for comparing performance of fund managers.

The table shows the annualised returns on mixed–funds, including property as provided by Investment Performance Management Service (IPMS) within the benefit consultancy firm Noble Lowndes, giving annualised returns over one, three and five years.

Not unexpectedly, there is a wide variation in returns between fund managers, with the average performance somewhere around that of the standard fund from IPMS.

These also show that over the longer term, funds on average have more than kept pace with inflation and salary rises, despite the impact of the October stock-market collapse.

Nevertheless, these tables highlight the need for those people managing pension schemes - trustees, employers and pension managers - and their advisers to look closely at the records of investment managers. Employees to not receive an average performance unless the trustees have a wide spread of funds. They receive the benefit or the performance of the selected fund manager.

The means by which one would select a manager to conform with the best advice principles of the financial services legislation are discussed elsewhere.

Early indications from IPMS for the first quarter of this year are that these managed funds are recovering from the October crash.

Information received so far show that the funds are showing rises slightly below the increase in the IPMS standard fund of nearly 6 per cent in the first quarter.

Finally, during the years of the equity bull market ahead of October, investors became more and more disenchanted with property, to the extent of consioderable disinvestment.

Property funds were run down, a few disappeared. Their resurrection is doubtful as far as company schemes are concerned - the new investment instruments appearing, which are discussed in another article could well take over the role of pooled property funds.

Eric Short

Mixed Fund Performance — Annualised Returns

One year	%	Three years	%	Five years	%
Top					
F.S. Assurance	+20.3	F.S. Assurance	+39.9	Martin Currie	+27.1
Lloyds (U.T)	+17.0	Confederation Life	+19.9	Confederation Life	+22.0
Provident Mutual	+12.0	Provident Mutual	+19.3	Save & Prosper	+20.5
London & Manchester	+ 9.7	London & Manchester	+19.1	Provident Mutual	+20.4
Colonial Mutual	+ 8.8	Martin Currie	+18.8	Croun	+20.0
Averaged Fund	+ 4.1		+15.2		+17.6
IPMS Standard Fund	+ 4.8		+14.9		+17.9
Bottom					
Murray Johnstone	- 1.1	Commercial Union	+11.3	Scottish Life	+15.2
Fraser Exempt UT	- 1.1	G.R.E	+11.2	Commercial Union	+14.9
Norwich Union	- 1.2	LAS Group	+10.9	Norwich Union	+14.7
Fleming General	- 1.7	Scottish Provident	+10.8	Scottish Provident	+14.5
Scottish Provident	- 2.7	Norwich Union	+10.6	Legal & General	+14.3

Noble Lowndes IPMS

Investment principles in the City

Institutional power is as strong as ever

BIG BANG may have changed many things in the City, but it has done nothing to dislodge UK institutional power. Power, though, brings responsibility, and questions of investment ethics simmer as persistently as ever.

Perhaps the most fundamental issue to be raised over the past year has been "short-termism" – the matter of whether institutional fund managers are prone to snatch short-term profits when industrial considerations would be better served by a long-term view.

The problem is scarcely new, but the takeover wave during the mid-1980s gave it heightened prominence – in particular, the staunch defence offered by Pilkington to the BTR bid in early 1987, a campaign which stretched well beyond the City itself.

Scarcely surprising, perhaps, that David Walker, executive director of the Bank of England, should choose the 1987 National Association of Pension Funds (NAPF) conference to air the subject.

Mr Walker took a pragmatic view – that "too much attention has been concentrated et the short and long-term ends of the spectrum and there has not been enough attention to the area in between" – and expressed more concern with the practical ways in which funds could act as responsible shareholders. His suggestions ranged from the promotion of better boards to regular use of voting rights, from the question of e "code of best practice" for listed companies to the use of audit committees.

And he was not without some sympathy for the pressures fund managers operate under: "It is important that trustees should give fund managers realistic performance objectives. It is just not reasonable to expect consistent above-average performance, and I submit that trustees should not press or expect their fund managers consistently to achieve the *top quartile.*"

If pension funds took some heart from that, they may have found even more reassurance in the subsequent report from the CBI Task Force, which made no case against them on this issue.

"The final report, which emphasised e much closer relationship between companies and institutional investors leading to a better flow of information is a concept we fully report," commented John MacLachlan, in his last annual statement as chairman of the NAPF Investment Committee. "We await with interest their initiative in this area of investor relations."

There, many fund managers privately concede, may come the rub. Whatever the good intentions, time-pressures do not fit easily with the close supervision of underperforming investments. The market is a quicker and easier solution. Perhaps, then, it is fortunate that hostile bid activity is waning; while the issue may slip from the forefront of the public mind, it is unlikely to be easily solved.

"Too much attention has been concentrated on the short and long-term ends of the spectrum and there has not been enough attention to the area in between."

Other issues of investment principle have tended to be of a more practical nature. One of the direct results of Big Bang was a tendency by the UK merchant banks to flex their new-found muscles, with the result that the whole question of pre-emptive rights loomed again.

It was provoked by an increasing number of non pre-emptive cash-raising issues made by companies outside the UK – in particular, in ADR form in the US, and on the Euromarkets.

Matters came to a head when Fisons felt obliged to withdraw an international share placing, and a Beazer ADR issue was sharply reduced.

Retaining their initiative, the insurance companies promptly put out some new, and more restrictive, guidelines. These opposed any disapplication of pre-emptive rights – something which companies are obliged to ask shareholders to approve – for more than 2.5 per cent of the issued share capital.

The response of the pension funds was slightly different, although it stressed that it was in no way undermining the insurers' stance. The investment protection service suggested that disapplication proposals which resulted in the issued equity capital increasing by more than 12.5 *per cent in any rolling five-year* period should be queried, and that members should oppose the extension of disapplication to quasi-equity.

Anyone accusing institutions of clinging to their underwriting commissions should be directed towards deep-discount issues, added the Investment Committee tartly.

In the event, however, the Stock Exchange – having effectively abandoned the pre-emption issue to shareholders in mid-1986 – re-entered as mediator. The result was yet another set of guidelines, endorsed by representatives from all interested parties, including the NAPF.

With International Stock Exchange monitoring, the annual disapplication limit returned to 5 per cent, but with a rolling 7.5 per cent limit in any three-year period. Company directors were to be accountable to shareholders for the expenses of any non pre-emptive issue and would have to provide an explanation if an issue appeared to have heen underpriced.

BZW's Donald Brydon, who has jnst taken over from John MacLachlan as chairman of the Investment Committee, believes it is too early to judge whether the dust has settled for good. "We're in a honeymoon patch," he comments. "The Stock Exchange group still meets and no one would try to rewrite the guidelines in the first few months."

Certainly, the wave of non pre-emptiva issues has abeted, although Mr Brydon concedes that "one or two" have slipped through in breach of the guidelines – largely on the under-pricing question.

If pre-emption was very much a City concern, the question of executive share options claimed e much wider audience. Again, this matter came to e head over one specific scheme – that being introduced by Burton, the high street retailer.

That Burton caught the flack was, perhaps, unfortunate. The extremely high salaries earned by directors gave the whole issue an emotive gloss; the chairman's personal life provided the tabloids with e field day, and the general brouhaha tended to overshadow a more fundamantal issue – how much "performancing" is desirable when it comes to top-level pay, and how much dilution funds are prepared to accept in return.

Again, guidelines wera reviewed – and again the NAPF remained rather less specific than the insurers.

Broadly, it has stuck to two principles: that any option scheme which wants to breach *the four-times salary limit* must be performanced, and that no more than 10 per cent of a company equity should be tied up under all employee share schemes. Unlike the insurers it has not detailed the performance criteria required. "What is good for one company is not necessarily good for another," argues Donald Brydon.

Nor has the NAPF specified that there should be a "cap" to avoid an excessive amount of options being granted to any one individual – the main concession which Burton eventually supplied. However, Mr Brydon adds, "I think it is fair to say that the original Burton scheme wouldn't have fitted in."

On the more recent question of the re-issue of share options – a question-mark thrown up by the October crash, which dwindled the immediate potential of many schemes – Mr Brydon says the NAPF is firm. "No relaxation – after all, shareholders have to abide by the share price and these schemes are not meant to be a *short-term reward.*"

Other points of principle rumble less dramatically in the background. The question of self-investment has bugged institutions – in particular the pension funds – for years. The IPC has being studying the question during the past year, with the behaviour of the Bryant pension fund during the bid from English China Clays providing ample evidence that the issue is far from dead.

Its findings are only now being written up. Broadly, according to Mr Brydon, these suggest that the practice is "not extensive." The conclusion of the report will probably be a warning note rather than outright condemnation of self-investment, stressing that the whole business is fraught with conflicts of interest. "Best practice" guidelines may also ensue.

The shifting structure within which funds operate is the other source of question-marks at present. The Investment Committee anticipates an ongoing workload as the issue of pension fund taxation *simmers; e heap of potential* "European" issues loom as 1992 approaches; and then there are various matters arising from the new Financial Services Act.

Not least of the pension funds' concerns recently on this last score has been the introduction of additional contract levy by The Securities Association. This is designed to fund fees to the Securities and Investments Board. Most pension funds, however, are already registered with, and paying fees to IMRO, the investment managers regulatory organisation.

In effect, institutions fancy they are being stung twice – and have raised an irate protest. As one fund manager puts it, "The charge may only be 20p per contract, but principles are still principles."

Nikki Tait

Regulation of UK investment activities

A legislative watershed looms

APRIL 29 will mark a legislative watershed for investment managers in the UK. That is the day – nicknamed A-Day – when major sections of the Financial Services Act 1986 will come into force, blanketing nearly all investment activities in a tight web of regulation.

UK pension fund investment managers have up to now been in the fortunate position of virtual freedom from regulation. They have, of course, needed to take account of trust law, and of tax rules. But there has been no direct statutory supervision of investment management except in connection with life assurance or unit trusts.

Now all this is changing. Everybody carrying on investment business must become authorised or else he will be committing a criminal offence. In practice, applications for authorisation should have been submitted by P-Day, February 27 in order to be sure of at least provisional authorisation by April 29.

The requirement for authorisation covers all the different types of pension fund managers whether the big merchant banks, the small independent houses or the in-house investment managers employed by some of the larger funds. They are qualifying through membership of the specialist self-regulatory body for portfolio managers, the Investment Management Regulatory Organisation (Imro).

This is one of up to five SROs which have been recognised by the Securities and Investment Board, the watchdog body which has been granted extensive regulatory powers under the FSA.

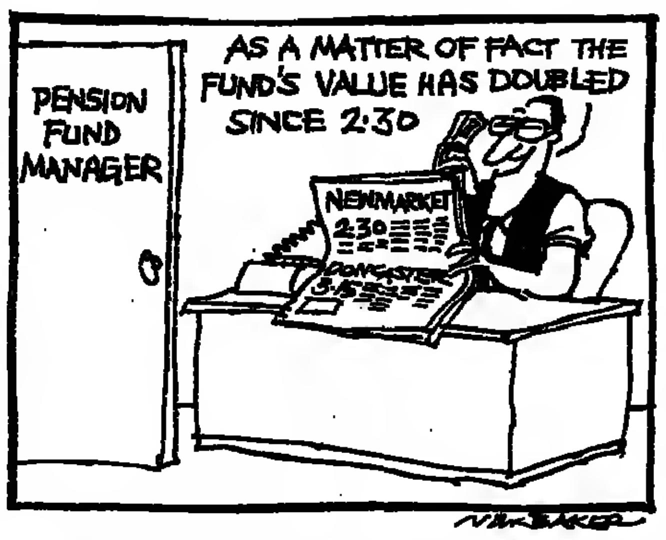
Unfortunately the position of pension funds is not always entirely clear under the Act as it now stands. They operate in a somewhat anomalous way on behalf of their members, and at one stage during the development of the legislation the National Association of Pension Funds argued that pension funds did not need regulation at all because they were clients of the investment industry rather than providers of services themselves.

That argument failed to be taken fully on board, but the position of pension fund trustees (as opposed to fund managers) needed to be addressed. Trustees do not usually manage portfolios in any continuous way, but they may impose conditions on their investment managers and they may occasionally interfere directly in the investment decision-taking process, for instance during takeover bids.

It turns out that the drafting of the Act to take account of this has been distinctly unfortunate. The problem lies in the controversial Section 191 which lays down that trustees are exempt from the need for authorisation so long as all "day to day" investment decisions are delegated elsewhere.

Presumably this was intended to grant trustees the flexibility to take occasional investment decisions. But the lawyers are concerned about the Act's ambiguity. Does day to day relate to the frequency of individual decisions? Or does it refer to the nature of each decision, so that only very special actions could be clearly seen to be exempt? Some lawyers are concerned that even a single act of interference by trustees in, say, a takeover situation, could be illegal given that takeover bids are routine affairs.

Clearly the Act was not intended to operate in this way,, but the trouble is that once the legislators in Parliament have finished with an Act, it is up to the courts to interpret it.



"It's a terrible tangle," says John Morgan, chief executive of Imro. "It's one that none of us is at all confident about, and only the law can finally settle what the law means." Pleas for interpretation and guidance from the Department of Trade and Industry have apparently failed to elicit the hoped-for response.

In practice most pension fund trustees will be in tha claar, aided by Imro guidelines which should keep them out of trouble, but others who intervene more frequently cannot be so confident. Some have been advised by their lawyers that they should seek authorisation just to be on the safe side.

Imro is attempting to meet their requirements by setting up e so-called "slimline" regulatory regime, which will exclude many of the normal chapters of the Imro rulebook and focus only on relevant material.

A ronghly similar slimline regime is being devised for in-house pension fund managers. Thase certainly need to he authorised, for they implement day to day investment decisions. However, they do not deal with the public and therefore do not need to comply with the full investor protection regime required by the Act in more normal circumstances.

Althongh the special provisions for trustees may suffice for the time being, a more permanent solution needs to be arrived et. According to John Morgan this mey well require amendments to the primary legislation. However, this is a complex area and careful thought is required. Ona of the problems with the FSA was that hastily-conceived clauses were inserted under time pressure.

There is now a need for detailed considaration of the interaction of the FSA with the law of trust, and the SIB is setting up a working party to find answers to the problems of trustees.

While pension funds themselves have specific difficulties with the Act, external managers of pension funds are only concerned with the general compliance problems which face all investment practitioners in the UK from the end of this month.

To begin with, the average Imro member firm will pay around £4,000 in membership fees, but the total costs will be much higher, given the extra legal and auditing fees required, and the need for larger firms to develop their own in-house compliance departments. In several cases, too, investment management firms have been required to increase the amount of capital in order to meet new scales for the availability of resources.

During the next few months, investment managers will be required to draw up comprehensive new client agreement letters which will spell out the terms of investment management contracts in a way never done before. This could have the effect of requiring separate identification and codification of practices which were never properly disclosed before.

Although few public scandals have emerged from the pension fund investment industry, there have been various complaints ebout slack practices, hidden charging and conflicts of interest.

The Stock Exchange's Big Bang in 1986 removed many of the commission-splitting practices which had been one source of friction. Now the new regulatory regime in 1986 could further open up the opaque world of institutional investment management. Tha result could he cleaner, but clients are likely to have to resist pressure for them to pay higher fees, on the argument that the extra costs of regulation must be passed on.

Barry Riley

Passive management/indexing

Large volume, low margin business

THERE IS an undoubted attraction to an investment manager who guarantees that he will beat the performance of most other managers over the next year but only charge you half as much or less — particularly after the dire performance of many pension fund managers in 1987.

Last year is not an isolated case. Around three quarters of fund managers underperform the market in the long term, says Mr Ed Brill of Bankers Trust in London.

The reason, quite simply, is that they *are* the market — or at least a large chunk of it. They are playing a zero-sum game, with as many winners as losers. Add in transaction costs, and most will underperform the index. As a result, the median fund manager will do worse than the stock market index by between 0.5 per cent and 1 per cent.

One way out of this might be to profit at the expense of other groups like individual or foreign investors, who are disadvantaged by being further from the market. The theorists say that this is impossible: information which is available to the market as a whole is quickly assimilated into share prices. Only those with genuine inside information outinvest other shareholders.

This efficient markets theory, firmly established in the hypothesis-loving US for two decades and increasingly popular in pragmatic Britain, both defines the underperformance conundrum and indicates the way out of it. If you can't beat the market, buy it, say the theorists: that way you will do as well as the average manager. By setting up a fund which tracks the stock market index you also avoid the dealing costs of active managers, and so return a better result.

Managers who profess this faith, which involves a belief in stock market valuations being right in the long run, stick to it rigidly. BZW, for instance, had planned to launch a small companies indexed fund on the day the stock market crashed last October. Short-term movements are irrelevant, it reasoned: besides, shares are cheaper now than they were last week. It invested £90m within a week.

Under £10bn is estimated to be under management in this passive way in the UK, most of it linked to the all share index. Two banks dominate the field: BZW, which has about £3bn, and County, with £2.7bn. Phillips & Drew, one of the first into the field in the UK, has £800m under passive management, while smaller amounts are managed by the likes of Legal and General, Prudential and Bankers Trust.

Much more money may be chasing stock market indexes. Some pension funds run in-house indexed funds. And many other managers, who put a proportion of their funds into "safe" blue chips, are engaging in a closet (and unscientific) form of indexing.

It is not surprising that the clearing bank subsidiaries lead the way. Passive management, or indexing, is a large volume, low margin business run on computers and relying on efficient administration. Estimates of when a manager breaks even vary between £300m and £1bn of funds under management.

It is a "big, boring, clerical" service, says Mr James Woodlock, a director of BZW Investment Management. "We're a cost centre. It's a technical service, and we're trying to do it more efficiently all the time."

Brain-power is still needed to develop the statistical techniques to track the market and to monitor portfolios. But the choice of technique is unlikely to matter significantly to the consumer, despite the claims made for rival methods.

Three systems exist. Full replication, which involves reproducing the entire index, is rarely applied to the all share index: buying all 726 costs would be costly, and dealing in some shares where a thin market exists would drive prices up against the manager. There is also the not inconsiderable problem of reinvesting dividend income to maintain the profile of the fund. Replication is more commonly applied in the US or other markets where fewer stocks make up the index.

Phillips & Drew is almost alone in using this method in the UK. Its charges — 0.1 per cent, and less for large amounts — are the same as followers of other methods. And its tracking error, at 0.2 per cent, is better than many. The ability to guarantee a near-perfect replica of the index more than compensates for the extra cost and administrative hassle, says Mr David Hobbs, a director of Phillips & Drew Fund Management.

The second method, stratified sampling, seeks to reproduce the index using fewer stocks. All large company stocks are bought, together with a sample of small ones, to reproduce the capitalisation and sector weighting of the market as a whole. This is too simplistic, say detractors: by focusing only on these two weightings, it fails to give investors the benefit of the market as a whole — for instance, the claimed outperformance of small companies.

Bankers Trust, which uses this method, says it has been 0.39 per cent out in its tracking of the all share index over the last three years.

The third method, called optimisation, is a more sophisticated sampling method used by both BZW and County. A computer analysis of a range of risk elements that affect share prices, such as inflation and movements in the oil price, is used to project a portfolio that echoes the risk patter of the market as a whole. A range of portfolios may achieve the same objective, so the one which best matches a fund's existing portfolio is picked to minimise the costs of switching. Critics claim that since this method relies on past share price movements, it gives an imprecise prediction of future patterns of risk.

A small segregated fund, with around £10m in equities, would track the index to within 0.5 per cent using optimisation, says BZW. Pooled funds are available for trustees who want to commit less to indexation than this. The results are good: County, which has been as much as 0.5 per cent out in an individual quarter, reckons that overall since starting in the business it has exactly matched the range of indexes it tracks.

If the results of these three methods leaves little to choose between managers, costs (at around 0.1 per cent) also vary little.

One factor that could influence the choice of passive manager is the range of services on offer. Simple indexing to the UK stock market may be the most popular method, but other techniques are gaining popularity. BZW, for instance, has £250m tied to international indices, whereas a year ago it had none. Choosing the index — and the proportion of a fund committed to it — demands the first active decision of passive management.

The rest of a fund can be invested more riskily than a traditional actively invested fund. The manager knows that a safety net is in place. Passive managers claim that the big active managers of today will be forced out of the middle ground: they will have to offer a combination of passive and highly-specialist active management, rather than their current woolly blend which fails to make a clear enough distinction between the two.

Another service, known equivocally as "active/passive," has developed out of these ideas. It is based on the theory that individual national markets may be efficient, but there is less efficiency *between* each market.

Not enough information has yet been collected to prove (or disprove) that managers are any better at picking individual markets than individual stocks. But fund managers who have long argued that the Tokyo stock market is set to crash are no doubt feeling sheepish about their skills in this area.

Passive managers are also becoming more active in other ways. Indexed funds chase mediocrity, say the critics: so managers react by "tilting" their indexed funds with various risk weightings. This can be used to suit the needs of particular pension funds.

For instance, an immature fund with few cash calls on it can afford a high equity weighting in its portfolio, says Ms Angela Richardson-Bunbury, a director of County NatWest Investment Management. "We find ourselves working more often with actuaries to meet their specific requirements over the long term," she says. Mr Lindsay Tomlinson, a director of BZW Investment Management, says that actuaries and trustees should make it clearer to fund managers what it is they want to achieve: the techniques are there to produce the right results.

The qualitative techniques used to do this, which are the same as those used to set up "optimised" funds, are catching on fast. The distinction between active and passive looks out of date as a result.

"We are using computer models in a way which selects stocks which will potentially outperform the index. We don't believe completely in efficient markets," says Ms Richardson-Bunbury.

Richard Waters

Master Trust Services

A debate over cost savings

INVESTMENT MANAGEMENT tends to be loosely described as a single activity, but in fact it comprises a whole range of separate services. Traditionally, these have all, or almost all, been bundled up into a single package by balanced managers in the UK — but this neat system is beginning to come under threat.

In part, this is because of changes in market structure and regulation. First, tha Stock Exchange's Big Bang of 1986 caused banks and stockbrokers to rationalise their charging structures. Until then, they had depended partly or wholly upon commissions on securities transactions for their remuneration. This encouraged cross-subsidisation, which is now less easy to sustain.

Secondly, the process of increasing the transparency of charging within the investment management activity has been *accelerated* by the new regulatory regime for investment business. The main provisions of the Financial Services Act come into effect on April 29, and then, or soon afterwards, investmant managers will need to circulate, for signature, client agreement letters which spell ont their terms and charges in considerable detail.

So it could soon become much easier to unbundle the package of investment *management* services into its component parts. This has already become common practice in the US, whare so-called master trust services are employed by pension funds separately from investment decision-taking.

The component services include custody, or safekeeping of securities, accounting and reporting, valuation, performance measurement, cash management, foreign exchange facilities, management of stock lending, and tax reclamation.

The international commercial banks, with their data processing skills, are attempting to encroach on the traditional preserves of the balanced managers. They are helped in this by the increasing trend towards the splitting of large funds into component specialist funds, often run by relatively small, independent investment management firms.

At Citicorp in London, William Littleboy focuses on the scope for taking much of the administrative burdens away from fund managers, and for increasing the quality of the information which they have at their disposal.

"Wa provide support services to help investment managers make better-informed decisions," says Mr Littleboy, who is vice-president in the bank's investment industries division.

The American banks in general are making quite a push into investment services, in a much broader way than the UK clearing banks which have focused upon traditional custody activities. State Street Bank, one of the leaders in the Master Trust business in the US, played a notable role in the splitting of the £900m Rolls-Royce pension fund into *many specialist components* in 1986.

Chase Manhattan is another US bank which is also active in this area in the UK. Ambitious moves have been made, too, by Bankers Trust which last year bought the WM Company, the largest UK pension fund performance *measurement* specialist, and last month announced an expansion plan in Edinburgh to develop its global custody services. Northern Trust and Chemical Bank are also in the frame.

Robert Ross of pension consultants Frank Russell International, a firm which was also involved in the Rolls-Royce reorganisation, says that there has been considerabla progress in product development.

"A couple of years ago we would have said the systems of the US banks had not been properly adapted for the UK. But now several of them have been," he suggests.

The trend clearly suits Frank Russell, which has prospered in the US by taking on the enhanced consultancy role which emerges when balanced managers are replaced by a much larger number of specialists.

In fact, the lack of adequate master trust services in the UK, where the US commercial banks have, in particular, been slow to get on top of the problems of reclaiming tax, has held back the specialisation process. So is the way ahead now clear?

"It will be a long time before the master trust set-up is adopted by a majority of pension funds," admits Mr Ross.

Cost is one hurdle to be overcome. It can be alarming for pension fund trustees to be confronted with charges for a whole range of services which they had previously been hardly aware of. Moreover, the banks appear to be charging fairly heavily initially for services which are difficult for them to cost accurately until they have been running for some time.

Meanwhile the balanced managers argue that they are efficient and can save money by providing custody and other services in-house. Both they and the smaller independents argue that it costs them more to deal with a variety of banks retained separately by their clients than to process all their clients' transactions through their own bank.

The question here is whose costs are really being saved? And who benefits from any efficiencies being achieved? The promoters of master trust services would argue that they are simply bringing costs out into the open, and allowing funds to benefit fully from, for instance, the management of cash.

Liquidity management is very important for *pension funds*, especially when they retain several different managers. All the time cash is flowing in and out, from contributions, dividends and transactions, and it is crucial that it should be managed centrally.

Have balanced managers, such as the merchant banks, always in the past controlled cash balances to the maximum advantage of clients? Have foreign exchange deals always been *done on the* best possible terms? At the very least, there is a conflict of interest inherent in an integrated set-up.

The focus of master trust services is on helping the fund manager to do his job better, through a custody service that combines efficient settlement with rapid and accurate information, but balanced managers claim that they can save money by providing similar services in-house.

The fact that so many pension funds have become disenchanted with the lacklustre performance of many of the traditional insurance companies and merchant banks as fund managers could indicate that hidden charging has been far from unusual.

All the same, William Littleboy of Citibank recognises that US master trust services cost much more than a UK pension fund is prepared to pay.

He says, however, that the gap essentially represents a duplication of the investment accounting function, which in the UK is provided separately by specialists. Other costs are already being paid by a fund but the fund may not always realise this.

At Citicorp, he explains, the strategy is essentially to sell custodial services with options for providing a complete back office function.

"Master trust is one of these options. It has been very successful in the US, but it is not central to our role in the UK," he says.

Meanwhile the focus is on helping the fund manager to do his job better, through a custody service that combines efficient settlement with rapid and accurate information. The aim is that a fund manager should be able to know from a screen on his desk exactly what his portfolio physically consists of. He should not be misled, for example, into trying to sell securities the purchase of which has not yet been settled.

"Decisions should be executable," says William Littleboy.

Barry Riley

Portfolio measurement

Methods which sort out truth from dressing up

MEASUREMENT, at regular intervals, of the investment performance of the underlying portfolios has now become standard practice in pension fund investment operations.

Charting the progress of the fund is essential for the trustees of the scheme and for the employers backing the scheme. The scheme actuary invariably refers to the investment performance in his valuation reports.

And the fund managers themselves actively seek independent assessments of the performance of the fund or funds under their management.

They seek this information, not only to check on progress and the effectiveness of their decisions, but as a vital requirement in the quest for acquiring new funds or holding on to existing funds.

A fund performance report from the WM Company, the UK leader in the field of performance measurement, or some other performance measurement company, is an essential curriculum vitae in any "beauty parade" of contestants for the fund managers' job.

Thus it is essential that the methods used to assess performance measurement are not only accurate, but fair in the ultimate analysis.

Fund managers inevitably try to dress up their historical record to make it look attractive. They may choose particular periods which show outperformance, excluding bad years where possible. They may strike funds which they no longer manage from the record, if they were bad performers (which they probably were). And they may be inconsistent abont including or exclnding funds which were subject to investment constraints, depending on performance.

Such manipulation apart, a more technical example of the need to eliminate bias as far as possible relates to the actual method of calculating the return on the fund.

The actual return achieved on the fund, known as the money-weighted rate of return, is a measure that trustees will require. It shows how well the fund has done. It can be compared with inflation and the rate of increase in salaries and earnings – the first objective of any pension fund investment.

However, the return relates very much to the timing of when the investment manager receives new money to invest. Often this is not under his control and can present a misleading picture of the manager's underlying achievements.

So the usual standard of performance measure to assess the capabilities of the investment manager is the time – weighted rate of return – a series of connected money-weighted rates of return.

> The actual return achieved on a pension fund investment, known as the money-weighted rate of return, is the measure that the trustees require. This shows how well the fund has done

This method eliminates any bias imposed by the timing of new money into the fund and has long been accepted as the standard for assessment. No one would use the money-weighted rate of return for comparison.

However, there is a need for trustees to understand the difference between the two systems and how to use them.

If they are comparing the progress of the fund against the rise in earnings, they should use a money-weighted rate of return. But if they are comparing their pension fund with other pension funds, then they should use the time-weighted rate of return.

The new pensions changes are resulting in money purchase pension schemes that will require careful treatment.

Those money purchase schemes that invest in equities, property or a mixed basis will operate on a unitised basis on a par with unit trusts.

At present unit trust performance is judged solely on the movement in the unit price – a time-weighted rate of return. This is suitable for comparison of the standard unit trust lump sum investments, but not for measuring the growth in a fund that is receiving regular contributions.

Trustees will still need in-depth, independent performance measurement for money purchase schemes. They should not rely solely on the unit price movements just to save costs.

However, any assessment of the investment manager's performance should go far deeper than a mere comparison of rates of return.

The science of performance measurement has grown apace over the past two decades and some very sophisticated techniques have been devised. But it is also a new science and changes can be expected in techniques.

The analysis of performance would endeavour to distinguish the sources of the return.

Much has been written on investment management styles – with the "bottom up" manager whose style is to select the individual shares and the "top down" manager who concentrates on sector selection.

The techniques have been designed to break down performance into sector analysis and then stock selection to highlight the success of investment managers in each of these fields.

The one major area that needs highlighting in any assessment of fund managers relates to the risk element in their portfolios. Trustees need to know the degree of risk associated with an investment return.

In the US, risk analysis and the use of Modern Portfolio Theory have been well developed. However, UK performance analysts are still very wary of the underlying definition given to risk.

The UK analysts feel that investment risk is much more subjective than implied by the precise measurement techniques used by the US analysts.

The performance assessment of fund managers should take into account the nature of the existing portfolio and any investment constraints placed on the manager.

For example, many major funds hold substantial property assets. During the years of the equity bull market, these funds underperformed those with a much lower property content. Yet by its very nature these funds could not undertake substantial disinvestment of their property holdings.

Last year, the situation was reversed with performance including property outperforming that excluding property.

The performance analysis from an independent source should identify these constraints and show the effect on the overall return.

In this way, trustees and employers can see the cost, in performance terms, of having such restraints. But as far as the investment manager is concerned, his investment record does not get dragged down (or boosted) by the effect of constraints.

If the manager's style is sector selection, then the report would assess his capabilities in this field against others and against the indices. Similarly with stock selection.

Many external fund managers will be involved in various types of funds – some completely discretionary, others with constraints.

The bottom line assessment of managers would be based on his aggregate performance with discretionary funds. But in assessing his performance on stock selection, for example, the analyst would use as many funds as possible where the operating conditions were not too dissimilar.

Eric Short

Anxious moments in the City during last October's stock market crash, which had a profound effect on investment strategies

Management fees

Long-term view looks best

THE 1980s have been a boom time for the fund management profession. Rising stock markets have meant increasing funds under management which have in turn led to higher fees and higher salaries.

As the stock markets boomed, so did the perceived value of the fund management companies themselves. Several groups went public on the back of impressive profits records.

But last October's crash dramatically changed the picture. Funds plunged in value with the inevitable knock-on effect on fees. Although there may be scope, in the long term, for fees to rise, in the short term managers will be forced to accept lower revenues unless the bull market returns.

Before Big Bang, managers had a cushion against the fluctuations in the stock market. As well as the standard fee, based on the size of the funds under management, there were other "hidden" charges.

The best known "extra" was continuation. That was a loophole in the commission laws which allowed investors to bundle together all the trades they had done during a three month period and pay the commission rate applicable to a single transaction. Under the old minimum commission system, continuation resulted in substantial savings.

Before Big Bang, many investment managers bundled up their transactions to take advantage of continuation savings but charged their pension funds clients the full commission rate. One estimate was that managers were earning the equivalent of 40 per cent of their stated fees by this method.

The system attracted widespread criticism. Some felt it favoured the large investment management houses which had more scope to bundle together large deals. Others felt that it encouraged managers to "churn" portfolios – that is, to deal more frequently in order to generate commissions.

When Big Bang resulted in the end of continuation, managers increased basic charges in an attempt to compensate for the loss of the "extras." Not all were successful. Trustees in the larger pension funds were able to use their stronger baragaining position to force charges down. The classic example was British Rail which restricted charges to 0.1 per cent of funds under management.

As things worked out, fund managers did not suffer unduly – 0.1 per cent may be a small proportion but on billion pound funds that are growing at 20 per cent a year, it still represents a lot of money.

Charges now work on a stepped system. Smaller funds might pay as much as 0.5 per cent of assets with the charges gradually reducing in scale as the funds get larger. The biggest funds tend to pay between 0.1 and 0.15 per cent.

There are exceptions. Specialist managers, covering particular fields of investment such as property or specific overseas equity markets, can justify higher charges than those that apply to a balanced (ie diversified) fund.

But the scope for fund managers to specialise is limited. Many trustees are unconvinced that the division of fund management by speciality, is the strategy that produces the best returns. And in any case, it takes time and money for a fund manager to build up a convincing track record in a particular investment area.

One extra charge is still levied by some managers – a levy of 0.25 to 0.5 per cent on overseas transactions. The theoretical justification is that researching and managing overseas investments is more expensive. But Colin Lever of consultants Bacon & Woodrow believes that trustees are starting to challenge such levies. "The size of the charges doesn't always seems to be justified," he says.

There is another potential option for managers who want to increase their fee income. If active fund management adds value, as they often claim, why not tie fees to performance? The better their investment strategy, the more they will earn.

There are snags in this apparently simple idea. One obvious flaw is the fact that many fund managers fail to outperform established benchmarks like the All-Share Index. Tying their fees to their performance might be positively damaging.

Another problem is in devising the right kind of performance measurement. Managers are already criticised for short-termism because of their desire to show up well in performance tables; that tendency would surely increase if payments were performance related.

The trick, according to Colin Lever, is to design performance criteria that require long term excellence. "That way you avoid managers doing well for a short period and then resting on their laurels" he explains "and you also avoid the tendency for managers to go for broke and take too many risks".

Performance-related fee structures may become more common, but the process is likely to be a long term one. So is there anything managers can do in the short term to increase their fees in the event of a prolonged bear market? Trustees seem unlikely to be convinced by tales of crash-induced penury.

"If any managers said that he needed to increase his fees because of the crash, I think the trustees would show him the door" says Lever.

British fees are considerably lower than those charged in the US and in the long term, UK fees are likely to increase. But for the moment, fund managers will have to tighten their belts and pray that Black Monday was an anomaly.

Philip Coggan

The independents

Hard fight to get into the winning lane

INDEPENDENCE HAS become a much-heralded virtue in the post-Big Bang City. But the extent to which it is the winning sales point in the pension fund arena is still a moot point.

The industry, having been dominated by the merchant banks throughout the 1970s, has certainly seen a heady increase in competition during the current decade. Moreover, as the cake up for grabs has grown dramatically, the share grasped by the likes of Henderson, Fidelity, or Murray Johnstone has risen.

That said, the independents have yet to dominate at the expense of the industry's former heavy-weights — and the past year appears, if anything, to have boosted the integrated houses' entrenched postion. As Norman Pilkington, chairman of equity specialists, Geoffrey Morley & Partners, puts it: "It's a difficult market to get into. A lot of people are trying, and a lot of people are throwing a lot of money at it."

Within the table of the top 20 pension fund managers, Murray Johnstone and Gartmore are the only two independents to rise in their rankings — Gartmore, in fact, did not make the top 20 last year. Aside from the continued growth at Mercury Asset Management, however, the most dramatic advance has come at Phillips & Drew Fund Management which has climbed from fifth to second place at tha expense of Robert Fleming, BZW and Schroders.

Phillips & Drew is now one of only two stockbroking firms in the top 20 and, although run quite separately from the broking business, is ultimately owned by Union Bank of Switzerland. A good number of brokers' fund management arms, of course, are now absorbed into parent merchant banking businesses — one of the outcomes of the Big Bang marriage whirl.

The cake up for grabs has grown dramatically

The other stockbroker of significance remains Cazanove, although its experience during the past 12 months appears less happy than that of Phillips & Drew.

In terms of the advantages of independence, MAM poses an interesting case. The company, whose lead over its competitors has strengthened slightly during the past 12 months, distanced itself somewhat from Mercury International Group — now formally renamed Warburg — in March 1987.

One quarter of MAM's equity was offered to MIG shareholders (and MAM employees) in a move which raised around £38m-worth of new capital. At the time, MIG chairman Sir David Scholey cited increasing pressure on fund managemant companies which formed part of larger groups to demonstrate their independence as a primary reason for the float.

Given Warburgs' hefty presence in the corporate finance arena, the cosmetic benefits seem undeniable. Whether a 75 per cent-owned subsidiary can really be classed as an independent is another matter.

Assessment of any figures for 1987, however, is complicated by the effects of last October's stock-market dive. Managers who foresaw the crash are few and far between, and a good number of independents like to argue that the "middle of the road" approach to pension fund management by soma merchant banks — possibly the higher weighting in fixed interest stocks — may have helped their position.

Whatever tha merits of that argument, one point of agreement seems to be that the shifting of portfolios around the fund management industry — and the highly competitive beauty contests — could ease off somewhat.

That already appears to have happened post-crash, and as Mike Anthony at Henderson points out, the upheavals in the industry generally and the move towards portable pensions, would suggest "a year of less activity and change on the investment front" as minds concentrate elsewhere.

The other point which gives some independents heart is the thought that the UK pension fund industry may slowly drift closer to an American-style situation. A greater number of funds, they point out, are adopting a passive management approach for part of their funds and then placing out the remainder of their portfolio amongst different managers.

That said, the trend clearly has a long way to go. UK trustees adopting this approach rarely split the active part of the portfolio widely and rarely amongst firms of noticeably different character. Rather, such moves often seem to represent little more than a hedging of bets. Nevertheless, this is a trend which should slowly benefit the independents — always assuming management performance can keep pace.

Nikki Tait

■ The new 28-position dealing room recently opened by Scottish Amicable Investment Managers (SAIM) at the headquarters in Glasgow. The dealing room cost £1m and gives Scottish Amicable analysts the same up-to-the-minute information available to market-makers in the City of London and other international markets.

"Pension fund management, as a proportion of our total business, is more significant than any other major UK life company," says Douglas Ferrans, investment director for SAIM. "It amounts to 47% of our total funds under management of £5.7bn."

While the company's long-term investment performance is among the leaders in the UK pension fund industry, BAIS claims to have "weathered the market crash in October, better than most, and turned in a performance in 1987 of +6.5%, putting us firmly in the upper quartile of the independent performance league tables."

Besides pension fund and investment linked monies, Scottish Amicable manage life assurance and more than 40 different general and specialist funds.

The boundaries of pension fund tax exemption

Inland Revenue tightens the net

THE INLAND Revenue has decided that pension fund managers may be abusing the tax-exempt status accorded to their investments. Earlier this year, a highly unusual Parliamentary statement revealed that 12 funds were under investigation by a Revenue special office.

Such reviews, believed to be focused at the moment only on the largest funds, are likely to spread more widely if it appears that some managers are more acting more like traders than investors.

The Revenue's interest in this area, though public for only the last few months, is said to stretch back at least a year and a half. Its efforts are now concentrated in its special office in Sheffield, where 15 staff are believed to be hard at work on pension funds.

Such investigations usually begin with polite requests for information. But they can be more abrupt: one fund received a tax assessment for £20m out of the blue, says Mr Graham Ward, a partner with accountants Price Waterhouse. Such methods indicate the Revenue's serious aim in this area.

A number of areas of pension funds' activity appear to be under review, including stock lending, the use of financial futures and options, underwriting share issues, and alleged dividend stripping.

Agreement is being reached in some of these areas: but the fundamental question of how actively a fund manager can buy and sell shares before he is considered to be trading has not yet been tackled.

Profits made from stock lending — the provision of stock to another to cover his short-term deficiency — are taxable. Although there is no dispute about this, it seems that many funds are not aware of their tax liability, and hence not reporting it to the Revenue. This is not surprising, given that they don't fill in tax returns.

There are a lot of people who believe that anything a pension fund does, is tax exempt," says Mr John McLachlan, manager of Reed International's pension fund and until recently chairman of the investment protection committee at the National Association of Pension Funds (NAPF). Needless to say, this has engendered a feeling of mistrust on the part of tax inspectors, who are seldom convinced that innocent mistakes and omissions are really innocent.

Profits made on financial futures and options, on the other hand, are not taxable. Although this was enacted in section 45 of the 1984 Finance Act, it has not stopped tax inspectors trying to treat investment in such instruments as trading rather than investment. It appears that the legal concession has stood up to the challenge.

The treatment of underwriting commissions is unresolved. Also, the Revenue is still discussing the issue of dividend-stripping. This involves buying a security shortly before a payment of interest or dividend is due and selling it immediately afterwards. This is used to reduce the income tax bill of a third party.

Behind these issues is the more fundamental question of how active a pension fund manager can be without risking the tax-exempt status of his investments. This question is not made any easier by the fact that there is no legal definition of what an investment actually is.

The rate of turnover in a particular portfolio may provide a guide. Most managers have been getting more active: according to the WM Company, the average UK equity is currently held by the average fund for two-and-a-half years. In 1981, the holding time was eight years, and ten years before that 16 years.

More information about the rate of buying and selling by individual pension funds will soon be available. Under DHSS regulations, the accounts that all pension funds must send to their members must show the total value of shares bought and sold during the year. This applies to all accounting years beginning after October 1986.

However, changes in turnover alone do not prove that an investment manager is trading in shares, rather than investing in them. Different market conditions demand different management responses, so turnover is likely to vary from one year to the next.

The issue is a difficult one for trustees. They are likely to take their duties as trustees more seriously than the danger of incurring a tax liability, and so would find it difficult to argue that their investment managers should be less active.

It is thought that no pension fund has yet been assessed to tax on the grounds that the level of turnover in its portfolio indicates that it has been trading rather than investing.

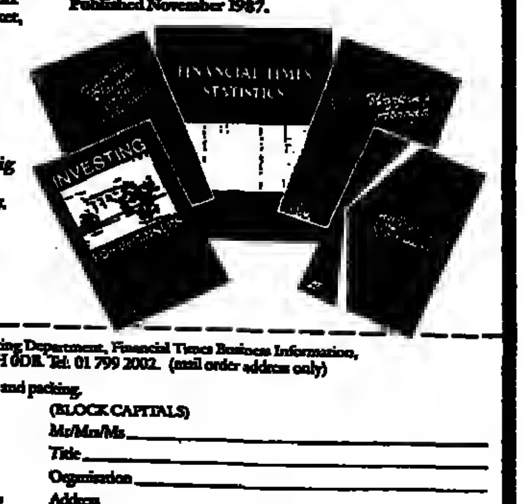
"There are funds which have been found guilty of some infringements, admitted them and paid up," says Mr McLachlan. But this is limited to issues like stock lending, he says.

The Revenue's attack on pension funds may not matter much anyway, argues Mr Ward of Price Waterhouse.

He reasons like this: under the 1986 Finance Act, funds are taxed if they have a surplus of more than 5 per cent. A popular method of reducing a large surplus is to reduce a company's contributions to the fund. So if an investment manager achieves better results through trading, then the surplus is larger and the company cuts its contributions — leading to a larger corporation tax bill. Since the tax is paid one way of another, why attack what fund managers do?

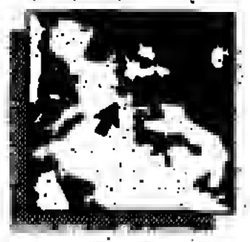
This line of argument implies that the special office investigation owes more to the Revenue's zeal than its logic. Funds may have little to fear — unless in next year's Budget the Chancellor of the Exchequer really does decide to take a pot shot at funds' tax exempt status, of course.

Richard Waters



SECTION IV

FINANCIAL TIMES SURVEY



Rotterdam has long flourished as the gateway to Europe. But it must move faster into new technologies if it is to match changing economic patterns and avoid losing out as the world's premier distribution centre, reports **Laura Raun**. It also has to tackle problems of urban renewal

A new sense of urgency

Sculpture by Auke de Vries (nicknamed "the clothes line") on the Nieuwe Maas, the river which divides Rotterdam

Rotterdam

PORTS ARE not what they used to be. Rotterdam is still the largest port in the world, by far. But today, it is a crossroads for transportation of all sorts, not simply a harbour with ships.

It is a logistics hub linking the high seas with the Rhine river, overland roads, railroads and the air. Electronic telecommunications weave together this "intermodal" transport network so that cargoes arrive and leave "just in time."

"We are seeing a shift in emphasis from the quantity to quality of goods passing through the ports," explains Jonkheer Z.J. van Asch van Wijck, adjunct director of the port of Rotterdam. "Value-added functions, such as distribution, require a good stream of electronic information as well."

A new sense of urgency is in the air as Rotterdam looks ahead. World trade is shifting away from the Atlantic ocean and toward the Pacific and Europe's economic centre of gravity is sliding southward. The Channel Tunnel will add a new dimension to links between Britain and the Continent and the single European market after 1992 holds unknown challenges. "It is 5 minutes to midnight," warns Mr Abraham Peper, mayor of Rotterdam. "We have to avoid being put into the margins by these developments."

For decades, if not centuries, Rotterdam has flourished as the "gateway to Europe," sitting in its northwest corner where the Rhine river — Europe's busiest waterway — flows into the North Sea. Around half of all goods passing in and out of Europe pass through the Netherlands but that is down from two-thirds some years ago.

The port of Rotterdam stretches along the Meuse river, a finger of the Rhine delta, from the city westward for 35 kilometres to the river mouth. The city owns the port and operates it on a self-supporting basis through the municipal port authority, which builds and maintains docks, quays and industrial sites. Private companies such as stevedores and oil refiners are responsible for their own improvements.

Rotterdam has reigned as the world's biggest port for two decades and is half again as large as the port of Kobe in Japan, which ranks second. Every year about 33,000 sea-going vessels and 200,000 inland barges call at the port. Some 250m tonnes of goods passed through Rotterdam in 1987, down 3 per cent from the year before and the first drop since 1983.

Labour strikes and sluggish world trade were to blame. Only modest growth is foreseen through to the turn of the century, when port authorities expect trade to total around 300m tonnes, which would take the port's business back to its peak year of 1979.

A blueprint for the future of the port and the city is found in a report entitled "New Rotterdam — a mandate for all Rotterdammers." It was written by a commission under the chairmanship of a highly respected former Cabinet Minister, Professor Wilhelmus Albeda. "The shift from product orientation (mass-scale transhipment) to logistics concepts will be determined, on the one hand, by lightning-fast developments in information technology and, on the other hand, by structural changes in the world economy," the commission observed. "These will determine the nature and direction of cargo flows..."

There is no room for complacency, as Rotterdam learned to its near horror last year. Sea-Land Service, the US container cargo liner and Rotterdam's biggest container customer, almost left to go to the Belgian port of Antwerp. Sea-land's departure would have siphoned off a lot of business and psychologically seared the port.

Fear mounted as Antwerp sweetened its offer but, in the end, Sea-Land stayed — though only after the Dutch port had made equally sweet concessions.

"If you want to survive as a harbour into the 21st century, if you also want to speak of "success," then you must be competitive in the *quality* of your work in all respects," Mr Roel Den Dunnen, city council member responsible for the port warns. "Quality, price and reliability — those are the concepts with which we must approach the market."

Between now and 1992, the port authority plans to invest around Fls 900m to improve the infrastructure while private companies are thought to be planning to invest at least as much again. Most of the money will go into high technology automation, computers and telecommunications.

Information flows are now as important as cargo flows and indications are that German ports may be meeting the challenge better. "I agree that Rotterdam must move faster in technology," admits Jonkheer van Asch van Wijck. "In the past, our luxury was that we were the biggest but that time is past. Now we must fight."

Among the most crucial projects is INTIS — International Transport Information System — an electronic network designed to allow "paperless" documentation of cargo. The Fls 12m project will join the computers of all parties involved in shipping, say, a shipload of kiwi fruit from New Zealand to Rotterdam. The mountains of documents traditionally accompanying shipped goods will be slashed.

Links also are being forged with similar electronic information systems for freight on the Rhine river, European roads, railroads and in the skies. Cargonaut, for example, is the electronic air cargo handling system at Amsterdam's Schiphol airport. Sagitta is the Dutch government's nationwide electronic customs network. Linking INTIS to the rest of the world is the Rotterdam teleport, a Fls 5.4m network of high-capacity fibre-optic cable, satellite links and dish receivers.

One juncture in the teleport is the Rotterdam World Trade Center, which can offer sophisticated services such as video conferencing. Another link will be a project called "electronification" of the Rhine, which is not — as its name implies — laying electrical wires in the river. It is a plan to create an electronic river-traffic control system much like that for airline traffic.

Computers aboard river barges will provide continuous telecommunications connections between the ship captains and ports. Arrival times, docking space and documents can be arranged "just in time," saving money for all concerned.

A similar electronic information system is planned for other inland shipping, which accounts for one-quarter of all goods transported within the Netherlands. Inland boats are to be linked to Rotterdam's shipping exchange, where chartering takes place. *INTIS also will tie into a new* "distripark" planned for the port, a multi-purpose facility where goods could be sorted, processed, repaired and invoiced. "Concentration of these sorts of activities at a central point is extremely important for the port as a logistics centre, as a hub," Mr Den Dunnen, the city council member, explains.

Rail freight is destined to play a larger role as road haulage runs into growing roadblocks from consumer groups. More high-speed trains carrying container cargo are envisaged if tariffs come down. The Dutch government is also being urged to strengthen rail tracks to carry heavier loads. Port companies are investing in automation and computers to upgrade their range of services from old-fashioned, simple loading and unloading to sophisticated services, such as processing and storage for the London Metal Exchange.

Not surprisingly, new technology has provoked growing labour unrest, most recently in the oil storage sector of the port. Last year, it was the general cargo sector, which has been hit hardest by job losses in recent years.

Port authorities and cargo companies deny that Rotterdam's highly-touted reputation for reliability has suffered. But privately they worry. "Other ports benefitted from the strikes last year," admits Jonkheer van Asch van Wijck. "Some shippers remained in Antwerp and that is a disadvantage."

The unions, for their part, know how far to push. If the transport union of the Federation of Dutch Trade Unions goes on strike it employs a policy of "cargo friendly" strikes. That means lightning strikes that cause enough delay to inconvenience shippers but not enough to force them to go elsewhere.

"Technology must be implemented or else shippers will go elsewhere and we will be impoverished," concedes Mr Cees Marges, head of the transport union. "We support modernisation and renewal," he continues, "but not at the cost of jobs. In a way, the city of Rotterdam is going through a similar transition.

"New Rotterdam — a mandate for all Rotterdammers" recommends bold steps for keeping pace with technological and economic trends in the world. A central theme is diversification away from heavy dependence on the port. Half or more of the city's jobs are related to the port but that will diminish if the services industries continue to expand as they are now. Financial, business and tourist services are targets in the commission report.

Plans are to invest Fls 12.5bn over the next 15 years to improve the living, working and commercial environment of the city. Old and crumbling districts will be modernised with luxury housing and offices featuring dramatic views of the river and port.

In 1990, Rotterdam will celebrate its 650th anniversary and, by then, it hopes to have the first phase of its huge urban renewal project completed. At the heart of the project is a new harmony between port and city and that could promise a second honeymoon.

CONTENTS

The port

Slower growth on horizon

THE PORT of Rotterdam is arming itself for the future when its natural advantages of the past could fall short. Its new weapon is logistics. Rotterdam is making sure that other modes of transport – river, roads, rails and air – are as accessible as the sea. Weaving these together in "intermodal" transport and adding value to products is the strategy for the future.

"Rotterdam is becoming an extension of the production process in which the customer determines the logistics path," explains Mr Foeke Kuiper, director of the SVZ port industries association. "That means everything must be executed 'just in time.'"

In the past, the port's easy access, deep water and European entrepot trade guaranteed robust growth. But over the next 22 years cargo will rise only a modest 20 per cent, according to a report entitled "Destination 2010" by the municipal port authority.

Growth could be a more meagre 17 per cent under a pessimistic scenario or a higher 34 per cent under a more optimistic one. In 1987 the amount of goods handled fell 3 per cent to 250m tonnes on an across-the-board decline in freight and the worst strikes for a decade.

With slower growth on the horizon, high technology is the key to provide more services, such as door-to-door delivery. It was new technologies that provoked the lightning strikes in the general cargo sector during the first quarter of last year.

General cargo is the most labour intensive sector of the port and accounts for about one-third of the total 12,500 jobs in the port. Unions concede that automation and computerisation are inevitable but they question how they are implemented.

Mr Cees Marges, head of the transport union of the Federation of Dutch Trade Unions explains: "at the early stage, we want agreements with employers, such as promises of no forced layoffs."

One disturbing trend, however, is that growth is even flattening in one of the most high-tech sectors – container cargo. Rotterdam no longer ranks as the world's number one handler of container tonnage, although it still claims the most vessels. The port wants trade in higher value-added products, such as semi-finished goods, to rise faster. They account for a much smaller part of Rotterdam's share of imports into the Marsaille-Hamburg crescent of ports than raw materials.

In an effort to boost growth in more valuable freight, the municipal port authority and cargo companies together have invested Fls 1.27bn over the past five years. More than that will be ploughed in during the next five years. Fruit Terminal Rotterdam, for example, recently opened a new multimillion-guilder warehouse with compartments whose climate is individually controlled by computer.

Seaborne goods traffic (m tonnes)

	1983	1984	1985	1986	1987*
Total bulk cargo	192	205	205	211	204
-crude oil	75	79	76	92	80
-petroleum products	35	32	34	35	34
-coal	11	15	14	16	17
-ores	30	40	40	36	33
-other bulk cargo					
Total general cargo	41	44	44	46	46
-LASH	1	2	1	1	1
-roll-on/roll-off	5	5	5	5	6
-containers	24	27	28	31	30
-other general cargo	11	10	10	9	9
Total (excl bunkering)	233	249	249	257	250

* Provisional figures

Seaborne container traffic 1980-87*

Year	Traffic figure
1980	1900
1981	2049
1982	2159
1983	2314
1984	2546
1985	2655
1986	2698
1987	2800**

* 1000 TEU
** estimate

Source: Port of Rotterdam

Frans Swarttouw – Europe's largest handler of ores and coal – is building a Fls 100m terminal that will tailor-make ore mixes for individual steelmarkers' furnaces.

European Containers Terminal (ECT), a joint effort of three companies and Netherlands railway, is investing more than Fls 300m to keep its biggest customer – Sea-Land Service, the huge US container-cargo line.

The port also cut fees for container ships and Nedlloyd, part-owner of ECT, agreed to join Sea-Land in a transatlantic shipping route. The threatened loss of Sea-Land to the Belgian port of Antwerp, which was heavily courting the company, could have meant severe job losses. In the end Sea-Land stayed in Rotterdam.

At the core of the technology push is INTIS, an electronic mailbox between the freight organisers (freight forwarders and shipping agents), operators (stevedores and shipping lines), regulators (customs and port authorities) and related institutions (banks and insurance companies).

The aim is electronic processing of all the bills of lading, customs documents and letters of credit through standardised computer messages. Some 40 companies are participating, although only a handful are working completely without paper, explains Mr Jan Otten, managing director of INTIS.

He expects to have 1000 members, including 400 foreign ones, by 1990. Already the English port of Felixstowe, P & O, the British shipping group, and Malaysian Intershipping, are linked up. "It takes longer within the companies than they thought to start up," Mr Otten admits. "It works better step by step, beginning with one personal computer, exchanging information with partners, and then with the whole in-house system."

The Dutch PTT telecommunications agency is investing between Fls 300m and Fls 500m in an ultra-modern infrastructure for the Rotterdam region. One investment is the Rotterdam Teleport, which will provide an advanced data network to link information systems in shipping, road haulage, rail freight and air freight. Using a satellite station it will beam voice, text, video and data around the world.

Other major initiatives in the port include a "distripark," inland terminals, rail centre and an agro-harbour. The planned "distripark" could offer a myriad of services ranging from repackaging to light assembly. Ample opportunities are seen for high-tech handling with optical scanners. The distripark also could serve as a logistics centre for empty cargo containers coming from the hinterland.

Mr Roel den Dunnen, city councilman in charge of the port, is a keen supporter of the distripark concept. "There is a clear need for a distripark, on a strategic point in the harbour area, close to the biggest concentration of container terminals and directly connecting to the highways." Inland terminals would be land-based, strategically located in rapidly-growing regions such as southern Germany, southeast France and northern Italy. This concept is an extension of the 30 inland terminals already dotted along the Rhine river.

Rotterdam's first land-based inland terminal recently went bankrupt with a loss of Fls 300,000 to the port. But Mr den Dunnen insists that the experiment was worth it. "We plan to take more financial risks in order to take part in economic developments," he asserts. "To survive as a harbour these days it is necessary to get involved in infrastructural facilities in the far hinterlands. We have made it known that we are active and that is of psychological importance."

The port also hopes to have a rail centre in operation by the end of this year. Most agree that trains for freight traffic are under-utilised in Europe and must be better exploited. Rail freight tariffs, however, must be lowered and tracks strengthened to take heavier wagons, supporters argue.

Netrail is a new initiative of a group of Rotterdam companies to charter "blocktrains," which are container trains run quickly and with few stops over long distances such as Rotterdam to Hamburg. Shippers and consignees will be able to electronically track wagons when the Netherlands Railways joins INTIS.

Netherlands railways is a member of Hermes, handling through European Railways Message Electronic System, a telecommunications linkup.

An agro-harbour is considered a natural development of the existing fruit terminal, and Westland, the largest area of glasshouse horticulture in the world. Several fruit and vegetable auctions, including one in the port itself, can export produce from this climate-controlled market garden abroad, as well as bring in produce.

Mr den Dunnen is confident that the port will be battle-ready when Europe's single market for goods and services is completed in 1992. Because it operates without subsidies now, it is forced to stay efficient. "All other harbours are subsidised," he claims. "We're expensive but we're good, fast and big. And we make a profit."

Laura Raun

Profile: Mr Abraham Peper

Mayor of impeccable credentials

FEW PEOPLE would seem more suited to run the city of Rotterdam these days than Mr Abraham Peper. He has been steeped in economic and social affairs for years – first as an academic and then as a politician.

A member of the Labour Party, he has written seven books and many more articles on topics such as labour relations, welfare policy and social policy. Ever since Mr Peper was appointed mayor six years ago, Rotterdam has been trying to shake off its problems as an old port city and take on a new life as a modern and dynamic centre.

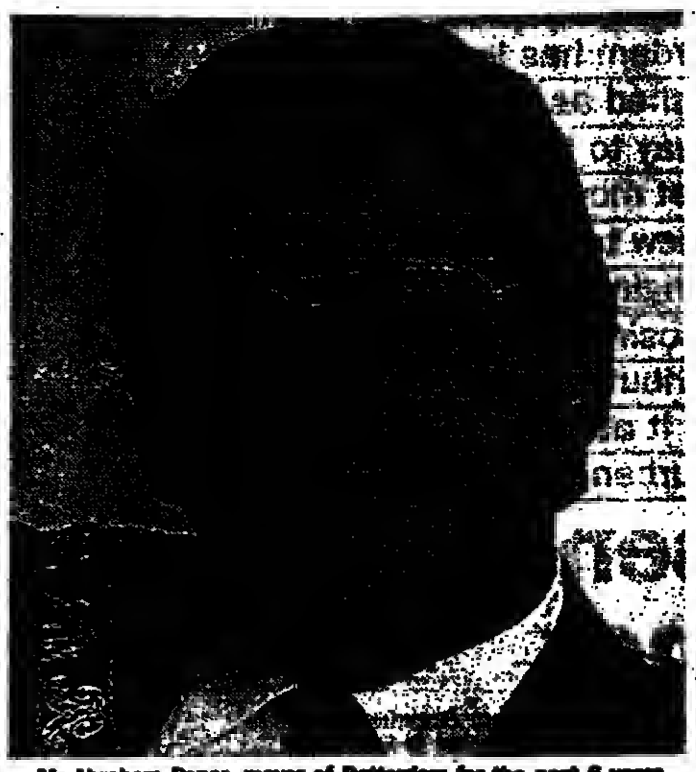
Painfully high unemployment and low incomes still dog Rotterdam, but fresh efforts are under way to revitalise the port city. "The new elan involves public-private ventures because the old way didn't work," Mr Peper explains. "Now we are taking a more integrated approach to housing, economy, education and culture."

The old ways were the *dirigiste* Labour policies that dominated Rotterdam during its postwar boom. The Labour Party was able to govern virtually alone, an unheard of luxury in the Netherlands where politics always means compromise. The thriving working class gave fulsome support for policies such as massive council housing and only leases of public land, no sale.

But the dogmatism began to give way when middle-income families fled to the suburbs, followed by businesses and port growth slowed.

Fuelling this change has been the rise in power of the Liberal Party, a right-of-centre, pro-business party. Until 1986, the Liberals didn't even have a seat on the city council's executive committee, which runs the city on a daily basis. Now they have joined the left-of-centre coalition.

"Psychologically it is important that we have the Liberals and not only the Socialists," Mr Peper insists. "It's very good for the city."



Mr Abraham Peper, mayor of Rotterdam for the past 6 years

Mr Peper, who is 48, was appointed a Professor of Political Sociology at Rotterdam's Erasmus university in 1971. The following year he acquired his doctoral degree on a dissertation entitled "Shaping welfare policy". At the same time, he became a member of the Labour Party's governing board and Undersecretary in the Ministry of Culture, Recreation and Social Welfare.

In 1975, he was appointed Professor of Social-Economic Policy at Erasmus university. Mr Peper has served on the Social-Economic Council, a collegial body of representatives from government, labour and industry that advises the state. He also has advised the Hague on development aid for Surinam, a former Dutch colony. They add up to impeccable credentials for trying to engineer an economic and social renewal of a decaying city.

Two studies issued late last year provide the blueprint for the future. "New Rotterdam – a mandate for all Rotterdammers" was written by a prestigious commission under the chairmanship of a former Cabinet Minister and "Renewal of Rotterdam" by the city council. Taken together they propose a Fls 12.5bn facelift for Rotterdam by the year 2002.

Cultural attractions, recreational facilities, luxury housing, skyscraper offices and improved streets are planned. They are aimed at helping Rotterdam diversify away from its heavy dependence on the port. At the heart of this monumental task will be Rotor, the Rotterdam Development Council, a small think tank to help keep the programme on course. Just how Rotor will work in practice remains a bit unclear but the Mayor is convinced it will be vital to the programme.

"It should be made up of intellectuals," Mr Peper insists. "It will have no control but will provide an extra motor to work out proposals." The pair of reports, "New Rotterdam" and "Renewal of Rotterdam," occasionally sound like a prescription for the "locomotive" theory of economic recovery: the economic locomotive – the rich – pulls along the cars – the poor.

The mayor firmly rejects this analysis. "We are not forgetting the weaker," he insists. "We are emphasising the services industry in job creation because in the past we have relied too much on the port." Rotterdam's ambitious plans for reviving the stagnant economy and population will coincide with a festive celebration of its 650th anniversary in 1990. Entitled "Rotterdam 1990: event year without equal," it is planned to include a futuristic exposition park, international poetry contest and film festival.

But Mr Peper believes more significance should be attached to 1990 as the 50th anniversary of the Second World War bombing of Rotterdam than the city's 650th birthday. "The restructuring since then is something that people can literally see."

Broad participation from all corners is needed, however, if the dreams for the future are to succeed, he continues. Paraphrasing President John Kennedy's famous remark, Mr Peper says: "ask not what your city can do for you but what you can do for your city.

Laura Raun

Urban renewal

Heading for brighter shores

When Rotterdam commissioned a study of its image last year, the findings were less than pleasant. Rotterdam is not a particularly nice place and it has a big port, was the conclusion.

But, when the city celebrates its 650th anniversary in 1990, it hopes to have a good start on a better image. By then, it will be nearly finished with the first phase of a Fls 12.5bn, 15-year urban renewal programme.

The mammoth programme is outlined in two recent, seminal studies, one entitled "New Rotterdam – a mandate for all Rotterdammers" and the other "Renewal of Rotterdam."

"We are breaking from the past and heading for brighter shores," enthuses Professor A H Rinnooy Kan, Rector Magnificus of Erasmus University Rotterdam. "The big question now is whether these plans will fall into place."

The urban renewal programme involves cultural attractions, entertainment centres, luxury housing, high-rise office buildings and better streets. The government will put up about 40 per cent and the private sector roughly 60 per cent of the money.

The programme is designed to wean Rotterdam away from its heavy dependence on the port by fostering growth in the services sector. Tourism, banking, insurance, computer services and management consultancy are the kinds of businesses Rotterdam wants more of.

Academia is being called on more than ever to cross-fertilise this ferment. Erasmus University, for example, has a strong curriculum in transportation economics and in computer science. "I hope the university can contribute to a group of potential entrepreneurs and technicians," agrees Professor Rinnooy Kan.

The university recently set up a centre for environmental studies, concentrating on the polluted Rhine river. But the professor warns against expecting too much too soon. "There will be no quick returns from the university's efforts," he says.

The first phase of Rotterdam's facelift is a recreational project called "Rotterdam water city" along the north bank of the Rhine river. A tropical swimming paradise, an "Imax" giant-screen film theatre and an "Economcenter" featuring a lively exhibit of the city's economy are part of the project.

It is designed to do for the Dutch port what Baltimore's waterfront project did for that American port. Baltimore's harbour basin is now an attractive spot of international allure.

Urban renewal in Rotterdam has plodded on for years, generating acres of monotonous council housing and blocks of identical storefronts. Though well-intentioned it has often backfired by driving out middle-income families and businesses with them.

Until the past few years the Labour Party governed with a heavy hand, refusing to sell public land to business and offering only leases. Environmental protection was enforced with a vengeance that bespoke years of neglect. Not surprisingly business was reluctant to invest.

"New Rotterdam" is a clear indictment of the way municipal policy was handled," Professor Rinnooy Kan says, referring to the study. "Local politics were bogged down."

This period of economic and social doldrums followed an era of explosive growth. After the Second World War, when Rotterdam was nearly flattened completely, the city rose like a phoenix from the ashes through the concerted action of the industrialists and Rotterdammers.

The port expanded by leaps and bounds, shipbuilding prospered, oil refining flared into the biggest concentration of its kind in the world, chemical companies sprung up everywhere and the Rhine mouth region became the Netherlands' economic motor. Tens of thousands of "guest workers" from Turkey and Morocco, in particular, were sucked in to help man the shipyards, repair works and other heavy industries.

But oil crises, economic recession, collapse of the steel industry and the plunge in worldwide shipping took their toll. One by one most of Rotterdam's shipyards closed, throwing thousands at a time out of work. Enormous growth in container cargo spelled the end of thousands more jobs in traditional, general cargo. Overcapacity in oil refining and petrochemicals, while less labour intensive, didn't help.

Unemployment skyrocketed and today is stuck around 25 per cent. Most of the jobless are hard-core unemployed – too old, unskilled or demoralised to work again.

By the 1970s, the city fathers became alarmed that Rotterdam was caught in a hopeless downward economic spiral. Efforts began to reverse the decline and have continued ever since.

"New Rotterdam – a mandate for all Rotterdammers" was written by a commission under the leadership of Professor Wilhelmus Albeda, a former Minister of Social Affairs and now an *éminence grise* in the Netherlands. It sketches broad outlines of a strategy for renewal.

"The world economy and the technological revolution are forcing Rotterdam through a sometimes painful transformation from heavy industry and large-scale harbour to a high-tech juncture of logistics and trade – from big, many and heavy to small, advanced and fine-knit," the commission concluded.

A more pedestrian analysis called "Renewal of Rotterdam" was contributed by the city council. It outlines six goals: improve the city's image; renew the economy; broaden the economic base; exploit the city's residential possibilities; stress its well-roundedness, namely: its shopping, tourism, education, culture; and increase public-private partnerships.

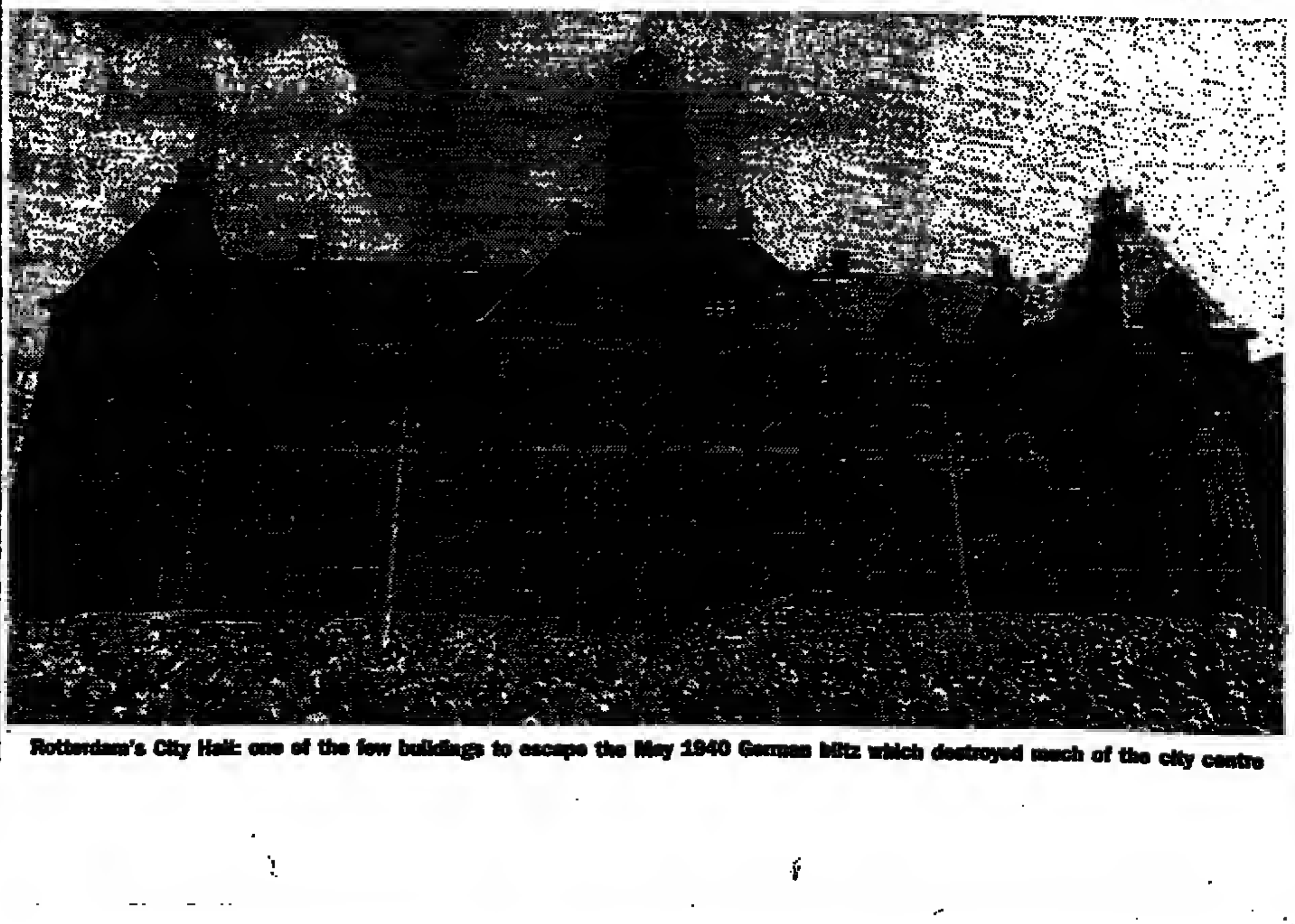
Mr Roel den Dunnen, city council member responsible for the port and the economy, believes Rotterdam can finally engineer an economic and social revival. "Look what William Shafer did in Baltimore," he notes. "The climate is different now, everyone is enthusiastic. It's a bit like the American civic spirit."

One encouraging trend, he points out, is that the city's population has stabilised at around 570,000 and could start to edge up soon. "Suburbanites want to come back if they have good schools and an attractive environment," he says.

Another trend is the faster employment growth in the services sector. "There may be fewer jobs in the port but there are more in the city," he explains.

Professor Rinnooy Kan is equally optimistic. "Government is much more motivated and aware of the challenges. My impression is that there is significant approval for what the city is trying to achieve."

Laura Raun



Rotterdam's City Hall: one of the few buildings to escape the May 1940 German blitz which destroyed much of the city centre

Distribution services

More coherent policy urged

WITH CENTURIES of trading behind them, the Dutch are mobilising their traditional skills to develop a modern, sophisticated, distribution industry. "It's a happy mix of trade and transport," explains Mr G A Schreuder, managing director of the Rotterdam Chamber of Commerce.

Geography helps greatly. Within 200 miles of the Dutch borders is a market of 160m consumers and more than half of Europe's major companies. The Netherlands can also boast of the world's largest port and control of one quarter of Europe's road haulage market.

But currents are running against this patch of land at the northwestern tip of the Continent. Southern Europe is growing faster, the Channel Tunnel will probably fuel that trend and completion of the single European market could bring new competition.

"The best will benefit and the Dutch intend to be among the best," declares Mr J D Van Karnebeek, director of Netherlands: Distribution Land, a new lobby group. It aims to provide a more integrated approach to distribution than in the past.

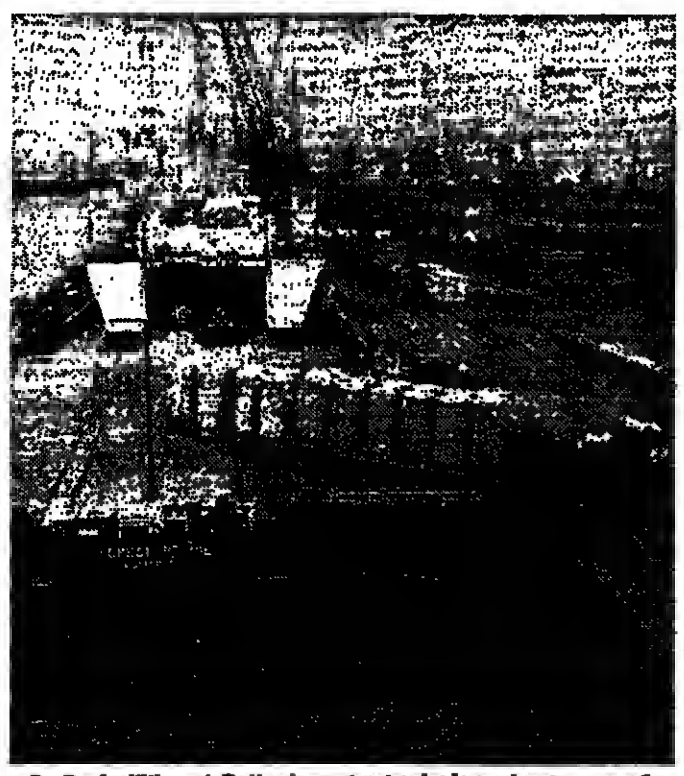
Netherlands: Distribution Land is a joint effort of government and private anterprise and includes captains of Dutch industry such as Mr Serge Orlandini, former chairman of KLM Royal Dutch Airlines.

In the past, about two-thirds of all goods entering and leaving the European Community passed through the Netherlands but that has declined to about half. The Dutch economy nevertheless remains heavily dependent on foreign trade, which accounts for roughly two-thirds of gross national product.

Distribution as an industry generates approximately 7 per cent of GNP and employs 500,000. And a number of trends in industry point to a rise in the importance of distribution.

Companies increasingly are looking for ways to shave the costs of transportation and distribution, which together account for between 30 per cent and 50 per cent of a product's unit cost. Big, international companies are scaling back to their core activities, leaving more work to be subcontracted out to other concerns.

In "co-makership" transporters provide manufacturers with custom-designed delivery, inventory control, light assembly, distribution of spare parts and invoicing.



Ro-Ro facilities at Rotterdam: geography is no longer enough

"Just in time" logistics are the key to these services. Professor G A Van der Knaap of Erasmus University's Economic Geography institute believes that Rotterdam could be used as an entrepot in the way that US ports on the west coast are used by Japan. "Japan uses these ports for storage and just-in-time delivery to its inland factories," he explains.

He advises Rotterdam to concentrate on what it does best – including distribution – and quit trying to be a universal port. "Competitive advantage is what Rotterdam should stress."

The port of Rotterdam, however, refused to join Netherlands: Distribution Land when it was launched last year because of competitive fears. Since then Rotterdam has changed its mind and its city councillor in charge of the port, Mr Roel Den Dunnen, is now a champion of distribution.

"A distripark...would not primarily be a place for long-term storage of goods but a cluster of all sorts of activities related to transport. These could include freight forwarding, customs control, insurance and administrative services, in addition to stuffing and stripping of containers," he says.

"New Rotterdam – a mandate for all Rotterdammers," a recent study of the city's future, concluded that: "the establishment of a freight distribution centre in the Albranswaard is a late but good move. The application of scanner techniques occur on a much too limited scale. Striped codes are not only designed for self service and supermarkets but applications here should be systematically ascertained and organised."

The study also urged – in no uncertain terms – a more coherent policy on inland terminals, which would be port satellites in Europe's fast-growing "sunbelt". "Chaos threatens the establishment of inland terminals through the absence of a powerful national policy," it warned.

Improvement of the transportation infrastructure is another area where Netherlands: Distribution Land is advocating action. Roads in the diamond-shaped region including Rotterdam, the Hague, Amsterdam and Utrecht – are so chronically jammed with traffic that industry is losing hundreds of millions of guilders a year.

In a letter to the Dutch parliament, Netherlands: Distribution Land complained: "In light of the circumstances... the Netherlands can't take the liberty of solving the (traffic) queue problem at its own leisurely pace. The pace is being forced upon us by the traffic and transport policy of other countries, which are unmistakeably striving to improve their infrastructure in the near term.

"West Germany, for example, intends to invest DM100bn in improving its infrastructure by the turn of the century, according to Mr Van Karnebeek. By comparison the Hague plans to spend around Fls 6bn by 1995.

Amsterdam's Schiphol airport, which ranks fourth in European air freight and first in tonnage growth, is engaged in a major programme to expand and improve its facilities. Some Fls 1.5bn is being invested in a 10-year programme to prepare for the 21st century.

Telecommunications is another avenue where improvements are clearly needed. "In telecommunications, we are not ahead of the game now," Mr Van Karnebeek admits.

The country's communications network is being modernised with digital telephone-exchange switching systems but the transition period has been fraught with problems. Telephone lines frequently get jammed. Special services, such as programmable numbers, which are promised by digital switches' sophisticated software often fail to work. Value-added networks such as Cargonaut, Sagitta and Hermes could be hobbled if the telecommunications bottlenecks aren't removed.

The Dutch PTT telecommunications agency is to take the first step toward privatisation in 1989 when it is spun off into a limited liability company, wholly owned by the state. But continuing uncertainties about how it will work aren't likely to help the situation.

Mr Van Karnebeek, however, is confident that the Netherlands' distribution network will be ready for 1992. "I think we will be ahead of the game in meeting the challenges of the future."

Laura Raun

Government has unveilled a bold plan to build 5 toll tunnels

Private finance mobilised to untangle traffic jams

DRIVING FROM Amsterdam to the Hague should take 40 minutes but it can take twice that long if the highway is jammed – as it increasingly is.

In the western corridor of the Netherlands, where nearly half the population lives, traffic queues are fuelling a heated debate. The question is how to untangle them. A lot of time and money are wasted in congested traffic. Industry loses about Fls 380m a year due to chronic traffic snarls, according to a study commissioned by the Government, and that figure could nearly double to Fls 650m by 1995.

Last year, the Government unveiled a bold plan to facilitate the construction of five tunnels at a cost of Fls 1.8bn in private finance, the cost to be recouped through tolls.

Mrs Neelie Smit-Kroes, the Transport and Public Works Minister, is optimistic that private finance scheme will work. "We are convinced there is a lot of money available to invest and this is a solid investment," she explains. "We expect to drive the first pile into the ground this summer."

The toll tunnel scheme is part of a larger package that would plough another Fls 2bn into highways and Fls 2bn into public transport in the western corridor between now and 1995.

Not surprisingly, motorists and hauliers have vehemently opposed the tolls. Financial institutions reacted sceptically at first, but then responded with surprising enthusiasm when bids were invited last month. If the tunnels are financed by the private sector, the centre-right Government reasons, then its funds will go further. Registration fees will be raised by Fls 25 for cars and Fls 50 for trucks to help fill state coffers.

"Bridges and tunnels are scarce goods and we need to have a price mechanism," Mrs Smit-Kroes asserts. "In road pricing you confront the driver with a price for the road and then he has an incentive to go another way or use public transport."

In the past, Dutch transport policy was geared toward public conveyance and against cars. Dutch drivers pay more for their cars – to registration fees, petrol taxes and insurance premiums – than nearly anyone in Europe. Nevertheless, motor traffic has raced ahead faster than expected. Bottlenecks are particularly bad in the western corridor where Amsterdam, the Hague, Rotterdam and Utrecht are clustered.

This swathe of land is dotted with tunnels and bridges because of all the rivers, ports and canals cutting through the countryside. All five of the proposed tunnels are to be finished by the late 1990s. The first one will be a Fls 380m project under the river Noord, southeast of Rotterdam.

Industry presently loses about Fls 380m, due to chronic traffic snarls...and that figure could nearly double by 1995

Two more tunnels will be built near Rotterdam and another two near Amsterdam. Private financiers are to recover their investments and operating costs over 30 years and then transfer the tunnels to the state without cost.

Tolls will be collected through electronic systems currently being developed by several companies inside and outside the Netherlands. Electronic toll systems have been used in Hong Kong and the US with some success. Foreigners will be exempt from the tolls on grounds of free trade.

Electronic toll systems involve a computer chip embedded in the highway which "sniffs" out an electronic tag in passing cars. Time and place are instantly recorded and a toll is levied, at that moment or later. Several electronics companies are believed to be developing such systems, including Philips and Nedap of the Netherlands and Siemens of West Germany. They are thought to need another year or two to refine the systems for faster traffic since now only relatively slow traffic can be registered.

Another obstacle is the guarantee of privacy, a concern that runs deep in the Netherlands. Many Dutchmen worry that such electronic "sniffers" could be used for domestic spying, a fear that lingers from the Second World War. "We must be sure there is no misuse of privacy, especially in the Netherlands," the Minister admits.

Not everyone is happy with the concept of private financing though. VNO, the largest employers association, argues transportation is so vital to the Dutch economy that the Government should pay for infrastructural improvements. "In our opinion the care of the traffic and transport infrastructure belongs to the central activities of the Government," the VNO wrote in response to the private financing scheme.

"The Government should fully accept this responsibility and be prepared to adjust the priorities within the state budget so that more resources are made available for infrastructural works."

Road haulage accounts for an overwhelming 70 per cent of all goods transported in the Netherlands. Inland water barges account for another 25 per cent and the remaining 5 per cent goes by rail. The Dutch are also the hauliers of Europe. They account for 27 per cent of the international road haulage in the European Community.

The completion of Europe's single market in 1992 could help or hinder this pre-eminent position, depending on how competitively various countries respond. In general, however, uniform customs documents, technical specifications and speed limits should oil the works of the whole industry. "Transportation is an important source of livelihood for us," Mrs Smit-Kroes notes. "It would be nice to keep our market share but, if other countries grow through competition, that is all right. If our share falls through obstacles in the market then I object."

At the moment the road haulage market is still encumbered by country quotas dictated by Brussels. EC Transport Ministers are squabbling over a way to dismantle them by the 1992 deadline but have reached deadlock. Mrs Smit-Kroes hopes they can agree a compromise soon which could then be formally accepted at EC Summit in June.

The minister also believes train traffic should be improved – both for passengers and freight. Better passenger train services in the western corridor are a high priority. So are the high-speed TGV train services between the Continent and the UK via the Channel Tunnel that are on the drawing board. The Netherlands wants to ensure that it is included in the network. France, West Germany, Belgium, Luxembourg, Britain and the Netherlands are still battling over precisely where the services would run and how they would be financed. "It is completely unthinkable that it would bypass the Netherlands," Mrs Smit-Kroes says indignantly; though discussions so far have indicated that the Hague's inclusion would be costly.

For freight traffic, a Fls 36m, five-year project has begun to strengthen rail tracks to handle heavier loads. Mrs Smit-Kroes is trying to smooth the way for better rail freight links with West Germany, the Netherlands' biggest foreign trade partner. Links have been hobbled by higher tariffs in Germany and bottlenecks at border crossings.

She and her German counterpart, Mr Jurgen Warnke, have set up a bilateral working group to expedite rail traffic. "We must cut through the barriers," Mrs Smit-Kroes says.

Laura Raun

Profile: Mrs Neelie Smit-Kroes

'One of the boys'

Mrs Neelie Smit-Kroes, Minister of Transport and Public Works

MRS NEELIE Smit-Kroes, Minister of Transport and Public Works, is perhaps the most powerful woman in the Netherlands. She is the only woman in the Cabinet and is now in her second successive 4-year term, having served as Undersecretary in the Ministry before that.

Mrs Smit-Kroes also has been tipped to lead the political party ticket for the right-of-centre Liberals in the next general election in 1990. She has been called the Margaret Thatcher of the Netherlands. And, indeed, both women command a sharp intellect, are politically conservative and enjoy immense popularity.

Like Mrs Thatcher, Mrs Smit-Kroes has eschewed the traditional role of housewife which is still so cherished in both countries. From early on, she managed against all odds to become "one of the boys," first at university and then in politics. Beyond the Dutch borders, this formidable woman commands considerable respect as well — some might say fear.

She has held her post longer than any other Transport Minister in the European Community and speaks with the voice of experience. In 1985, she and her then British counterpart, Mr Nicholas Ridley, pioneered Europe's first "open skies" policy in which airline traffic between the two countries was opened to free competition.

Since then, however, no love has been lost between her and Mr Stanley Clinton Davis, the British Commissioner responsible for transport policy in the European Commission. Bad chemistry, more than anything else, seems to account for the friction.

"My approach to the Transport Council (of EC Ministers) is to see that there are no barriers to what the market demands," she explains in her bright and orderly office. "My worry is whether there are obstacles in the market."

Mrs Smit-Kroes, who is 46, is married and has one child, an 18-year-old son. She was born in Rotterdam a year after the port city was almost completely destroyed in a German air raid. She studied transportation economics at Rotterdam's University of Economics, now Erasmus University. She was one of only seven girls in a class of 400 boys. Nevertheless she fraternised with fellow Rotterdammer, Mr Ruud Lubbers, now Prime Minister, and with Mr H Onno Ruding, the Finance Minister.

After graduation, she went to work for her father, joining the management of his transport and assembly company. In 1968, she became the first female member of the Rotterdam Chamber of Commerce. Her political career began with a stint on the Rotterdam city council after which she was elected, in 1971, to the Tweede Kamer (parliament).

Six years later, she was appointed Undersecretary in the Transport Ministry. In 1976, the comely and petite Minister scandalised the country. In an interview with a leading Dutch magazine she said she would have an abortion if she got pregnant again because she didn't want any more children.

Family life is among the most hallowed virtues in Dutch society and her heresy was exacerbated later when she publicly sought a governess for her son. Today all is forgiven and forgotten and she is described in the same magazine as an "energetic politician" and "clever career woman". Her frequent clichés are considered homespun wisdom.

She has been called the Margaret Thatcher of the Netherlands. Both command a sharp intellect,... and enjoy immense popularity

Mrs Smit-Kroes' portfolio may seem mundane — roads, airports and dams. But it is vital in a country as dependent on foreign trade and distribution as the Netherlands. One of the most pressing problems is untangling the chronic traffic jams that plague the western part of the Netherlands where Amsterdam, Rotterdam, the Hague and Utrecht are clustered.

This densely populated corridor, known as the *Randstad*, suffers constant congestion at bridges and tunnels built across the many rivers, ports and canals that criss-cross the countryside. Last year the Minister announced a novel plan to build four or five tunnels with private financing amounting to Fls 1.8bn and recoup the investments through tolls.

Despite the expected opposition to tolls and tepid response from the financial community the plan has now drawn considerable interest from financial institutions. "Private financing is a way of allowing us to keep our savings pot for other improvements," Mrs Smit-Kroes explains. "We need money for the mobility scenario," a major Fls 6bn blueprint for streamlining traffic in the *Randstad*.

Through an historical quirk her cabinet responsibilities also include water pollution; in the past water — rivers and canals — were the Netherlands' most important form of transport. Today, it means that the problem of Rhine river pollution falls mainly within her remit and it has thrust her into the international limelight more than once in recent years.

During the catastrophic chemical spill by the Swiss company Sandoz in November 1986, the Dutch Minister was quoted in the international press as calling the Rhine "the open sewer of Europe." The next month, she hosted a Rhine river conference in Rotterdam, attended by Environment Ministers from the states along the river.

"For me, what is important is to get the salmon back into the Rhine as we promised in 1986," she says. "It must be clean enough for drinking water, swimming and fishing with no great risks."

The riparian states agreed then to make the Rhine safe by the year 2000. But at a follow-up Rhine conference in Strasbourg last month, the indications were that efforts are lagging.

Mrs Smit-Kroes says she has no evidence that industry is dragging its feet in complying with EC and national directives. But she agrees that uniform compliance is a must. "It's like dominoes. If one falls, they all do," she concedes.

A few years ago, Mrs Smit-Kroes was mooted as the next head of KLM Royal Dutch Airlines, a post where she could have brought to bear her experience in transport, government and business. But due to political infighting, the chairmanship of the national airline went to someone else.

More recently speculation has mounted that Mrs Smit-Kroes might lead her Liberal Party into the 1990 general elections. Competition there is also stiff but her recognised leadership qualities and charisma, not to mention wits, should stand her in good stead.

Laura Raun

Airports

Problem child seeks to move

ZESTIENHOVEN, the airport of world's largest port Rotterdam, has always been a problem child. The reason has a name: Schiphol, the international airport at Amsterdam.

By train, the distance between Rotterdam's central railway station and the railway station at Schiphol airport is hardly 30 minutes. By car, it is even less.

Forgetting the usual traffic jams, that is the main reason why in the 1950s, when Zestienhoven was first proposed, it ran into fierce opposition from Amsterdam. But Amsterdam lost the battle; Rotterdammers are usually people who like doing things their own way.

Indeed, when Rotterdam built Zestienhoven's runway, it was secretly made twice as long as promised to the Government in the Hague, the extra yards being covered under the green grass of — below sealevel — polder land.

When, after a couple of years and a lot of argument in the Dutch parliament, Rotterdam received official consent to enlarge the runway, the grass was simply removed and the first Boeing 707 allowed to land at Zestienhoven - to the astonishment of bureaucrats in the Hague and Amsterdam.

However, today Zestienhoven is Rotterdam's problem child. The location is far from ideal, its noise causes environmental problems, and — for business conscious Rotterdam a most important consideration — it loses about Fls 3m to 4m annually.

The Labour Party-controlled city government wants to build subsidised housing in place of the airport. But the business community of Rotterdam still wants a local airport: for freight, for short-haul passenger lines to London, Dusseldorf, Hamburg, Brussels, Luxemburg and Paris and also.... for the prestige of world's busiest port.

To meet these conflicting demands, the energetic Director of Rotterdam's Public Works Department, Dr Jan Doets, has come up with a radical proposal to move the airport some five to ten miles to the north, enlarge the runway, and turn its orientation from north-west to south-east to get rid of the noise problem.

'Those who wish to invest must also contribute towards replacing the present airport'

For the old Zestienhoven site, his department has drawn up plans for a new business office and housing complex, involving an investment of Fls 1.5bn. The area is located close to the main highway to the Hague and Amsterdam and would provide space for 9,000 private houses, 300,000 sq metres of office space, 22,000 sq metres of shopping areas and 50,000 sq metres of industrial space.

The Rotterdam business community is more than eager to invest in the scheme. But Mr Doets has cleverly stipulated one condition: those who wish to invest must also contribute towards the cost of removing and replacing the present airport. The investment required is Fls 300m.

Mr Doets foresees Rotterdam's business community meeting 50 per cent of the investment cost. The other 50 per cent would have to be provided by the Government.

Today, Zestienhoven airport employs 600 people and handles some 300,000 passengers and 800 tonnes of freight annually. But according to a recent study by the Netherlands Economic Institute, by the year 2,000, it could be handling 1.2m passengers and 20,000 tonnes of freight a year given, it proposes, privatisation of the airport's management and a new, aggressive policy to attract business.

The Rotterdam business community likes the idea very much, as does the Rotterdam-born Transport Minister, Mrs Neelie Smit-Kroes. Being a most conservative Liberal Party member, she is all in favour.

But there is political pressure against the proposal, especially, of course, from Amsterdam and from Big Brother Schiphol airport. An enlarged airport would enable Rotterdam to attract tourism business to destinations as far afield as the Canary Islands and freight business between the Netherlands and US. But whether the whole project will see the light of day remains to be seen. The outcome is uncertain.

Friso Endt

Rotterdam airport's "Big Brother": Schiphol

The city is out to clean-up Europe's busiest waterway and create...

A Rhine 'safe for salmon'

THE RHINE river is cleaner now than before the disastrous chemical spill by the Swiss company Sandoz in 1986, but not clean enough.

Drinking water companies along the river complain that progress is too slow and Rotterdam is still threatening to sue industry if waste dumping upstream doesn't stop.

The 820-mile river is Europe's busiest – and one of its dirtiest – waterways. When Sandoz accidentally spilled 30 tonnes of toxic chemicals in November 1986, public attention was sharply focussed on the "open sewer" problem. Government Ministers from the river states hastily gathered in Rotterdam at the invitation of the Dutch and agreed to make the Rhine "safe for salmon" and for drinking water by the year 2000.

Last year, they agreed to cut by half the worst pollutants by 1995, using the "best available technology." But the International Association of Water Works in the Rhine Basin area (IAWR) has concluded that the implementation of EC directives and national laws has been "insufficient to safeguard the undisturbed supply of drinking water for millions of people in the Rhine basin.

This alarming situation, combined with increasingly stringent legal quality standards for potable water, and growing awareness of the potential health hazards of certain dangerous substances, convinced IAWR that a different approach was needed.

In 1986, IAWR issued its own urgent plea for a water quality management programme. But public outcry has now subsided and so government and industry have been left to plod along.

In March another international Rhine conference was held in Strasbourg at the behest of the Dutch with special attention on industry's role in developing feasible means for fighting pollution. Rotterdam sits in the middle of the huge Rhine river delta. Most of the waste dumped upstream eventually eventually ends up in Rotterdam, carried by mountains of silt that build up on the riverbed. Each year some 24m cubic metres of sediment must be dredged from the harbour. Of that nearly half, or 10m cubic metres, is too contaminated to be carried out to sea or used on land to raise low lying areas.

Rotterdam has built three environmentally safe disposal sites for this poisonous sludge. The biggest of these is the "slufterdam" at the western tip of the port, jutting into the North Sea. The Fls 200m slufterdam, with a capacity of 150m cubic metres, will be full by the year 2002 – the city's deadline for stopping river pollution.

"This is a one-off project," *declares Mrs Neelie Smit-Kroes*, the Netherlands' Minister of Transport and Public Works. "After this, we will sue those along the river who are illegally discharging."

An intensive study is now underway by Erasmus University, Rotterdam to determine who is dumping, what is being discharged and whether it is illegal. And Rotterdam is optimistic this approach will bear fruit, particularly after the recent success of a Dutch legal battle with the French, lasting more than a decade, over "salt-potash" pollution.

An intensive study is underway at Erasmus University, Rotterdam, to determine who is dumping .... and whether it is illegal

The Rhine river provides 70 per cent of the Netherlands' water for drinking and agriculture and is a vital artery for barge traffic as well. Much of the Netherlands is covered by the Rhine delta, which is linked to a web of rivers, lakes and canals that cover 10 per cent of the country with water. This, and centuries of battling with the sea, have made the Dutch expert hydrologists.

Rotterdam's discussions with industry along the river have improved in recent months, Mr M J Jansen, Rotterdam city councilman responsible for the environment, told the conference last month. But he hastened to add: "if we look at the content (of the *1987 accord by Government Ministers*) we must conclude that it doesn't go far enough."

Under to the accord, the discharge of 30 harmful substances must be halved by 1995, but another 129 chemicals and heavy metals are only on the provisional black list. Many toxic substances thus do not fall in the group of 30. "What the Ministers have promised now does not give us a single guarantee that we will indeed have clean silt by 2002, when the slufterdam is full," Mr Jansen said.

"Mr J Salamitou of Cefic/Rhone Poulenc, the French chemical group, asserted that "all serious studies show considerable progress in the restoration of the river. The recent accidental cases of pollution have, in fact, drawn that much more attention because of the improvement."

However, a study last year by the Dutch government's Domestic Water Service found that a number of pollutants remain stubbornly high. Ammonia and phosphates have fallen only slightly in recent years while nitrates have risen slightly.

Polychloridebiphenols (PCBs) have declined, but the norm for total PCBs still was exceeded in 1987. Chemical companies as well as salt mines, paper mills and oil *refineries are the major polluters*. To stop discharging into the river, they must be able to recoup the costs of anti-pollution equipment and suffer no competitive disadvantage, they argue.

"Even if it is impossible to harmonise completely all environmental regulations...It is indispensable that the companies in a certain sector and on a certain market are roughly submitted to similar environmental restrictions," Mr Salamitou of Rhone Poulenc told his colleagues. Mr P Donath of Ciba-Geigy, the Swiss chemical group, warned that a point of diminishing returns could be reached. "Rigorous use of the 'polluter pays' principle may well result in numerous products and even product-ranges being phased out in the 1990s," he said.

Mr Donath concedes that the single European market in 1992 could help in providing a "level playing field" for all companies along the Rhine. "But the chemical industry needs a rapidly ongoing harmonisation of environmental legislation and regulation within the European Community and worldwide, in order to sustain its competitive position in the future," he added.

Laura Raun

Basic Facts

ROTTERDAM IS a rather sprawling city by Dutch standards, straddling a bend in the Meuse river, a finger in the Rhine river delta.

It has a population of 570,000. Banks are open Monday to Friday from 9 am until 4 pm and on Friday evening from 6.30pm until 8 pm. The foreign exchange at central station is open from Monday to Saturday from 7.30am until 10 pm and on Sunday from 9 am until 8 pm.

Shops are open on Monday from 1 pm until 5.30 pm and on Tuesday to Thursday from 9 am until 5.30 pm. Friday evening is shopping night, with stores open until 9 pm.

Public transportation is efficient and clean. The new underground system has two lines. Trams and buses run elsewhere.

Trains leave every quarter hour from central station to Amsterdam and every half hour to Amsterdam's Schiphol airport.

Transport information: KLM Royal Dutch Airlines Coolsingel 10, telephone 11 58 60; taxi, tel central: 36 12 22; Rotterdam airport, Vliegveldweg 30, tel 15 76 38; information about public transport, central station tel 54 68 90; information about trains: central station, tel 11 71 00

Useful addresses: City Hall, Coolsingel 40, tel 17 91 11; Central Post Office, Coolsingel 42, tel 54 39 11; Police Haagse Veer 23, tel 14 31 44; Chamber of Commerce, Coolsingel 58, tel 14 50 22; Municipal Port Authority, Galvanistraat 15, tel 489-6911; Municipal Health Service, Schiedamsedijk 95, tel 33 99 33; Netherlands Motoring Association, Westblaak 210, tel 14 00 00; Municipal library, Hoogstraat 110, tel 33 89 11; Erasmus University Rotterdam complex, Woudestein Burg Oudlaan 50 tel 52 55 11.

Help and information: tel 17 29 29; Bureau of Tourism, Stadhuisplein 19 tel 13 60 00.

Hotels: Hilton hotel, Weena 10, tel 414-4044; Park hotel, Westersingel 70, tel 436-3611.

Excursions: Spido harbour tour, Willemsplein tel 13 54 00; city tour, central station tel 13 60 00.

Museums: Museum Boymans-Van Beuningen Mathenesserlaan 18-20, tel 36 05 00; Historical Museum de Dubbelde Palmboom Voorhaven 12, tel 76 15 38; Prins Hendrik Maritime Museum, Leuvehaven 1, tel 413-26 80.

Parks: Trompenburg Arboretum, Honingerdijk 64, tel 14 14 79.

World Trade Center

Eye-catching new landmark at the heart of the city

THE NETHERLANDS – a relatively small country of 14m people – counts more world trade centres than any other country in the world.

There is the World Trade Center of Amsterdam, the World Trade Center of Rotterdam, the World Trade Center of Electronix in the capital of Philips, Eindhoven, and the World Trade Center of Flowers, located in Oegstgeest(a suburb of the university city of Leiden) at the centre of the tulip district.

But as Dr Henk van Engelenburg, managing director of the newest World Trade Center, Rotterdam,explains: "we are 100 per cent complementary to each other."

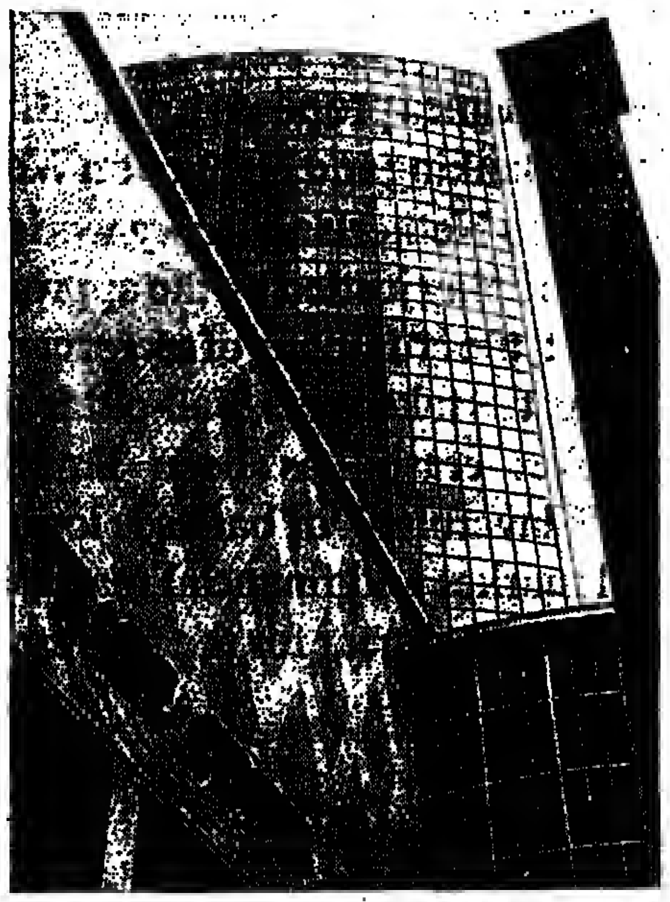
Amsterdam's World Trade Center serves the financial centre of Amsterdam, as well as Schiphol, the fourth airport of Europe. Eindhoven serves the electronic industry, a field in which the other three world trade centres are eager for Eindhoven's know how. The World Trade Center of Flowers (flowers are one of the Netherlands' most successful exports) also represents the bulbs and glasshouse industries.

Rotterdam's World Trade Center, which was inaugurated by Queen Beatrix of the Netherlands last November, is designed to serve the busiest port of the world. An eye-catching 23 storey-high, emerald green, ellipse-shaped tower,it is a landmark in the very heart of the city.

By the time it opened, some 96 per cent of its 40,000 square metres of office space had already been let; more than 200 companies are now profiting from the prestige which the building lends to their corporate image.

The top floor of the tower houses the Laurens lounge, the WTC restaurant, the WTC club, the board room(video conference studio), the town hall room and the Erasmus lobby, an exhibition area for business and product presentations.

But Rotterdam's WTC differs from others in that it also houses the local *bourse*, the Rotterdam exchange, whose origins dates back 400 years. It also contains the insurance exchange, the inland shipping exchange, the exchange of agricultural products and the exchange for currency transactions. The "bourse" also includes a grain exchange, after Chicago the most important grain market in the world.



Rotterdam's new World Trade Center: an eye-catching 23-storey ellipse-shaped tower

It was 20 years ago that a Rotterdam trade delegation, on a visit to New York, first seized on the idea of developing a world trade centre. It saw the value of the New York Center for the exchange of business information, for communications and for facilitating worldwide trade.

The proponents had trouble raising the necessary funds and, as a result, the initial WTC, opened in 1978, was a modest affair, housed in the existing exchange building. But this centre began stimulating international trade and promoting contacts between the 45,000 companies in Rotterdam which operated worldwide.

More than 200 companies are already profiting from the prestige which the new building lends to their corporate image

The wish to erect a more sophisticated WTC persisted and, about four years ago, the city fathers agreed to the building of the 23-storey tower which not only sits on top of the existing exchange building but had to be built right through the existing exchange hall. The Dutch architects, Groosman partners were required, moreover, to ensure that the activities of all exchange markets continued during the building phase.

"Don't ask me how they did it," Mr Van Engelenburg says, "but it was business as usual throughout the building operation which took 3 years and 8 months to complete."

One of the problems world trade centres everywhere are facing is the fact that part of their activities are often duplicated by local chambers of commerce. This is true of Rotterdam. But the highly influential Rotterdam Chamber of Commerce occupies the same building with offices on the third floor. "We have no problems together," comments Dr Rene de Bok, President of the Rotterdam Chamber.

The centre's main entrance leads to a large lounge which, in turn, forms the forecourt to an immense congress area, the Rotterdam Hall. Together they provide space for 1000 people.

In the same hall, Rotterdam's first Oil Congress was held recently with a view to inaugurating a Rotterdam oil exchange – a logical institution for a city which boasts an internationally-influential spot oil market.

In practice, the inauguration of the Rotterdam oil exchange has been delayed for a number of reasons. "But the plan has certainly not been shelved,"the President of the Chamber of Commerce stresses. "Rotterdam needs an oil futures market and we are going to have one. The dealers want it,the trade and the oil industry wants it, and so does the municipality."

Mayor Abraham Peper, the Burgomaster, agrees: "we need institutions like an oil exchange," he says,"because we in Rotterdam should not be blind to developments elsewhere which threaten our position as an international trade and distribution centre. We have to be alert,the world is changing and we have to adjust ourselves to these innovations in technology and infrastructure.

Friso Endt